

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name: <u>City of Westland, Michigan</u>	County <u>Wayne</u>
Audit Date <u>June 30, 2004</u>	Opinion Date <u>October 14, 2004</u>	Date Accountant Report Submitted To State: <u>December 30, 2004</u>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- |   |   |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132])   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Certified Public Accountant (Firm Name): <b>Plante &amp; Moran, PLLC</b>			
Street Address <u>350 South Main Street, Suite 200</u>	City <u>Ann Arbor</u>	State <u>MI</u>	ZIP <u>48104</u>
Accountant Signature  			

# **City of Westland, Michigan**

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## **Financial Report with Supplemental Information June 30, 2004**

**City of Westland, Michigan**  
**Financial Report**  
**June 30, 2004**

**MAYOR SANDRA A. CICIRELLI**

**City Council**

Charles W. Pickering, President  
James Godbout, President Pro Tem  
Cheryl Graunstadt  
Michael Kehrer  
Richard LeBlanc  
Robert Stottlemeyer  
William R. Wild

**City Administration**

Budget Director  
Building  
CATV/Community Relations  
City Assessor  
City Clerk  
Community Development Programs  
Construction Maintenance Superintendent  
Controller  
Executive Assistant  
Finance  
Fire Chief  
Law  
Management Information System  
Parks and Recreation  
Personnel  
Police Chief  
Public Service  
Planning  
Senior Resources Director  
Water and Sewer Superintendent

Debra A. Szajko  
Sue L. Dodson  
Craig Welkenbach  
James H. Elrod  
Eileen DeHart  
James Gilbert  
Kevin L. Buford  
Dwayne R. Harrigan  
Terry Carroll  
Steven J. Smith  
Michael J. Reddy  
Angelo A. Plakas  
Charles Nalbandian  
Robert Kosowski  
Keith Madden  
Daniel Pfannes  
Thomas Wilson  
Bruce Thompson  
Peggy Ellenwood  
Don Rohraff

# City of Westland, Michigan

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## Independent Auditor's Report

To the Members of the City Council  
City of Westland, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Westland, Michigan as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Westland, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Westland, Michigan as of June 30, 2004 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, pension system schedule of funding progress, and budgetary comparisons (identified in the table of contents as required supplemental information) are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.



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To the Members of the City Council  
City of Westland, Michigan

The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Westland, Michigan's basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2004 on our consideration of the City of Westland, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Plante & Moran, PLLC*

October 14, 2004

# City of Westland, Michigan

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## Management's Discussion and Analysis

Our discussion and analysis of the City of Westland, Michigan's (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2004. Please read it in conjunction with the City's financial statements.

### Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2004:

- State-shared revenue, our second largest revenue source, was reduced by the State of Michigan by \$1.0 million this year. To offset the reduction in state-shared revenue, the City has left vacant positions unfilled, made cuts to departmental budgets, and offered early retirement to all City employees with 18 years of service. This allowed the City to eliminate positions through attrition vs. lay-offs.
- Total net assets related to the City's governmental activities decreased by approximately \$31.6 million. However, fund balances for the governmental funds decreased by approximately \$500,000 during the year. The most significant difference between the decrease in fund balances and the decrease in net assets relates to the capitalization and depreciation of capital assets in the government-wide statement of net assets.

### Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds. The fiduciary fund statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.



# City of Westland, Michigan

## Management's Discussion and Analysis (Continued)

### The City of Westland as a Whole

The following table shows, in a condensed format, the net assets as of the current date:

TABLE I

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
<b>Assets</b>						
Current assets	\$ 16,694,010	\$ 17,153,326	\$ 11,608,655	\$ 11,882,182	\$ 28,302,665	\$ 29,035,508
Noncurrent assets	385,225,565	414,453,949	76,506,240	76,582,978	461,731,805	491,036,927
Total assets	401,919,575	431,607,275	88,114,895	88,465,160	490,034,470	520,072,435
<b>Liabilities</b>						
Current liabilities	4,555,795	4,440,044	2,546,435	2,742,744	7,102,230	7,182,788
Long-term liabilities	22,823,322	20,962,611	6,795,840	8,890,537	29,619,162	29,853,148
Total liabilities	27,379,117	25,402,655	9,342,275	11,633,281	36,721,392	37,035,936
<b>Net Assets</b>						
Invested in capital assets - Net of related debt	372,186,551	400,158,679	68,512,942	66,297,483	440,699,493	466,456,162
Restricted	7,061,261	9,456,535	1,367,065	1,564,565	8,428,326	11,021,100
Unrestricted (deficit)	(4,707,354)	(3,410,594)	8,892,613	8,969,831	4,185,259	5,559,237
Total net assets	<u>\$ 374,540,458</u>	<u>\$ 406,204,620</u>	<u>\$ 78,772,620</u>	<u>\$ 76,831,879</u>	<u>\$ 453,313,078</u>	<u>\$ 483,036,499</u>

The City's combined net assets decreased 6 percent from a year ago - decreasing from \$483,036,499 to \$453,313,078. This is generally a result of depreciation of the City's capital assets. For the year ended June 30, 2004, depreciation was approximately \$33,800,000.

Unrestricted net assets - the part of net assets that can be used to finance operations - is currently at a deficit of \$4,707,354 for governmental activities. This is generally a result of the accrual of the compensated absences of City employees, which will be paid from future revenue sources. This accrual is approximately \$7,500,000.

# City of Westland, Michigan

## Management's Discussion and Analysis (Continued)

The following table shows the changes in net assets during the current year:

TABLE 2

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
<b>Net Assets - Beginning of year</b>	\$ 406,204,620	\$ 434,832,693	\$ 76,831,879	\$ 74,324,691	\$ 483,036,499	\$ 509,157,384
<b>Revenue</b>						
Program revenue:						
Charges for services	17,348,371	15,731,971	17,291,375	16,934,082	34,639,746	32,666,053
Operating grants and contributions	7,540,649	6,947,396	198,407	407,186	7,739,056	7,354,582
Capital grants and contributions	613,827	2,072,722	2,289,925	1,689,598	2,903,752	3,762,320
General revenue:						
Property taxes	22,271,432	21,388,780	-	-	22,271,432	21,388,780
State-shared revenue	8,921,949	9,913,816	-	-	8,921,949	9,913,816
Interest	160,085	282,362	38,794	66,133	198,879	348,495
Transfers and other revenue	2,410,188	2,011,004	(621,799)	(63,000)	1,788,389	1,948,004
<b>Total revenue</b>	<b>59,266,501</b>	<b>58,348,051</b>	<b>19,196,702</b>	<b>19,033,999</b>	<b>78,463,203</b>	<b>77,382,050</b>
<b>Program Expenses</b>						
General government	10,807,326	10,271,950	-	-	10,807,326	10,271,950
Public safety	28,170,830	27,628,535	-	-	28,170,830	27,628,535
Public works	41,964,574	38,817,091	-	-	41,964,574	38,817,091
Community and economic development	3,118,119	2,970,750	-	-	3,118,119	2,970,750
Cultural and recreation	6,148,193	6,471,871	-	-	6,148,193	6,471,871
Miscellaneous	69,396	41,670	-	-	69,396	41,670
Interest on long-term debt	652,225	774,257	-	-	652,225	774,257
Water and sewer	-	-	17,255,961	16,526,811	17,255,961	16,526,811
<b>Total program expenses</b>	<b>90,930,663</b>	<b>86,976,124</b>	<b>17,255,961</b>	<b>16,526,811</b>	<b>108,186,624</b>	<b>103,502,935</b>
<b>Change in Net Assets</b>	<b>(31,664,162)</b>	<b>(28,628,073)</b>	<b>1,940,741</b>	<b>2,507,188</b>	<b>(29,723,421)</b>	<b>(26,120,885)</b>
<b>Net Assets - End of year</b>	<b>\$ 374,540,458</b>	<b>\$ 406,204,620</b>	<b>\$ 78,772,620</b>	<b>\$ 76,831,879</b>	<b>\$ 453,313,078</b>	<b>\$ 483,036,499</b>

### Governmental Activities

The City's total governmental revenues increased by approximately \$900,000, despite decreases in state-shared revenue and interest income. The increase, which represents 2 percent, was primarily due to the continuing increase in property taxes.

Expenses increased by over \$3.9 million during the year. Increases were lead by increases in health care and property insurance rates.

### Business-type Activities

The City's business-type activities consist of the Water and Sewer Fund. The City provides water to residents from the Detroit water system. The City also provides sewage treatment through Wayne County. The fiscal year ended 2004 was wetter than the previous year, which resulted in decreased usage in the water system. In addition, effective July 1, 2003, the City Council increased the water rate by 1.4 percent and the sewer rate by 4.9 percent to pass on the increase in costs from the City of Detroit and Wayne County.

# City of Westland, Michigan

## Management's Discussion and Analysis (Continued)

### The City of Westland's Funds

Our analysis of the City's major funds begins on page 11, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the City as a whole. The Westland City Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as major and local road maintenance and debt service. The City's major funds for 2004 include the General Fund, the Major Road Fund, the Local Road Fund, and the Water and Sewer Fund.

The General Fund pays for most of the City's governmental services. The most significant are police and fire, which incurred expenses of approximately \$27.3 million in 2004. Other government services accounted for in the General Fund include general government (finance, City clerk, City assessor, economic development, community development, and the mayor's office), sanitation, and recreation. General Fund expenditures decreased by approximately \$1.0 million due to vacant positions left unfilled and cost cutting by all departments. The City closely monitored its spending in all other areas, including capital outlay, personnel costs, conferences and seminars, and any nonessential services.

### General Fund Budgetary Highlights

Over the course of the year, the City amended the budget to take into account events during the year. The most significant change to the original budget was an increase to the Engineering Department of approximately \$300,000 to account for the increased activity in the department due to several new and ongoing projects. The insurance and bond accounts were amended by \$200,000 to account for an increase in the workers' compensation and general liability insurance costs. City departments overall stayed below budget, with the exception of insurance and bonds, law, ice arena, and youth assistance. Despite these exceptions, the City still maintained total expenditures of \$2,535,000 below budget.

Even with the decrease in state-shared revenues of over \$1,000,000, the General Fund balance (reserved and unreserved) increased slightly from \$2,925,891 to \$2,974,865.

### Capital Asset and Debt Administration

As of June 30, 2004, the City had a total of approximately \$460,364,000 invested in a broad range of capital assets, including roads, buildings, police and fire equipment, and water and sewer lines.

Due to budget constraints, capital expenditures were limited during the fiscal year. The Department of Public Service purchased eight leaf machines to aid in the leaf pick-up program. A front loader/backhoe was also purchased. Other needed major capital purchases have been defrayed to future years.

# City of Westland, Michigan

## **Management's Discussion and Analysis (Continued)**

Debt service makes up approximately 3.3 percent of the total general governmental expenditures. Bonded debt and other long-term obligations were reduced by approximately \$6,620,000.

More detailed information concerning capital assets and long-term debt can be found in Notes 5 and 8, respectively, in the notes to the financial statements.

### **Economic Factors and Next Year's Budgets and Rates**

The City's budget for the fiscal year ending June 30, 2005 takes into consideration another potential decrease in state-shared revenue and a cautious economic climate. Because of the impact of state legislation (Proposal A), an increase in property tax revenue as a result of increasing taxable value will be small. The state-wide Tax Reform Act limits growth in taxable value on any individual property to the lesser of inflation or 5 percent. Because some properties increase in value by less than inflation, the mathematical result of this is that the total taxable value for the City will grow less than by inflation, before considering new property additions. As a result, the budget will call for further cuts in expenditures and the City will need to continue to watch the budget very closely.

As discussed above, the fiscal year ending June 30, 2005 budget anticipated that the water and sewer costs will increase. As a result, the water and sewer rates were raised 2.8 percent and 2.3 percent, respectively, effective July 1, 2004.

### **Contacting the City's Management**

This financial report is intended to provide citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. For additional questions about this report or additional information, requests should be directed to the finance department.

# City of Westland, Michigan

## Statement of Net Assets June 30, 2004

	Primary Government			Component
	Governmental	Business-type		Units
	Activities	Activities	Total	
<b>Assets</b>				
Cash and cash equivalents (Note 3)	\$ 9,020,199	\$ 4,581,790	\$ 13,601,989	\$ 1,264,530
Investments (Note 3)	668,173	-	668,173	383,037
Receivables (Note 4)	6,323,883	7,184,770	13,508,653	274,939
Internal balances	541,265	(541,265)	-	-
Inventories	10,366	383,360	393,726	-
Prepaid costs and other assets	130,124	-	130,124	-
Restricted assets (Note 6)	-	1,367,065	1,367,065	2,420,000
Capital assets - Net (Note 5)	385,225,565	75,139,175	460,364,740	90,000
Total assets	401,919,575	88,114,895	490,034,470	4,432,506
<b>Liabilities</b>				
Accounts payable	2,156,591	1,847,955	4,004,546	287,166
Accrued and other liabilities	2,243,339	698,480	2,941,819	134,506
Deferred revenue (Note 4)	155,865	-	155,865	-
Deficit from joint ventures	2,226,709	-	2,226,709	-
Long-term debt (Note 8):				
Due within one year	3,310,936	1,838,823	5,149,759	285,000
Due in more than one year	17,285,677	4,957,017	22,242,694	2,595,000
Total liabilities	27,379,117	9,342,275	36,721,392	3,301,672
<b>Net Assets</b>				
Invested in capital assets - Net of related debt	372,186,551	68,512,942	440,699,493	90,000
Restricted:				
Road improvements	4,322,543	-	4,322,543	-
Library operations	1,362,977	-	1,362,977	-
Other (Note 13)	1,375,741	1,367,065	2,742,806	-
Unrestricted	(4,707,354)	8,892,613	4,185,259	1,040,834
Total net assets	<u>\$ 374,540,458</u>	<u>\$ 78,772,620</u>	<u>\$ 453,313,078</u>	<u>\$ 1,130,834</u>

# City of Westland, Michigan

Functions/Programs	Expenses	Program Revenues		
		Charges for	Operating Grants and Contributions	Capital Grants and Contributions
		Services		
Primary government - Governmental activities:				
General government	\$ 10,807,326	\$ 7,161,165	\$ 32,392	\$ -
Public safety	28,170,830	7,238,625	46,817	40,676
Public works	41,964,574	840,502	5,126,432	573,151
Community and economic development	3,118,119	-	2,138,504	-
Cultural and recreation	6,148,193	2,108,079	196,504	-
Miscellaneous	69,396	-	-	-
Interest on long-term debt	652,225	-	-	-
Total primary government - Governmental activities	90,930,663	17,348,371	7,540,649	613,827
Business-type activities - Water and sewer	17,255,961	17,291,375	198,407	2,289,925
Total primary government	<u>\$ 108,186,624</u>	<u>\$ 34,639,746</u>	<u>\$ 7,739,056</u>	<u>\$ 2,903,752</u>
Component units	<u>\$ 1,817,342</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

## General revenues:

Property taxes  
State-shared revenues  
Refund of captured property taxes  
Interest and sundry

## Transfers

Total general revenues and transfers

## Change in Net Assets

Net Assets - July 1, 2003

Net Assets - June 30, 2004

**Statement of Activities**  
**Year Ended June 30, 2004**

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (3,613,769)	\$ -	\$ (3,613,769)	\$ -
(20,844,712)	-	(20,844,712)	-
(35,424,489)	-	(35,424,489)	-
(979,615)	-	(979,615)	-
(3,843,610)	-	(3,843,610)	-
(69,396)	-	(69,396)	-
(652,225)	-	(652,225)	-
(65,427,816)	-	(65,427,816)	-
-	2,523,746	2,523,746	-
(65,427,816)	2,523,746	(62,904,070)	-
-	-	-	(1,817,342)
22,271,432	-	22,271,432	4,586,156
8,921,949	-	8,921,949	-
1,788,389	-	1,788,389	(3,305,379)
160,085	38,794	198,879	72,373
621,799	(621,799)	-	-
33,763,654	(583,005)	33,180,649	1,353,150
(31,664,162)	1,940,741	(29,723,421)	(464,192)
406,204,620	76,831,879	483,036,499	1,595,026
<b>\$ 374,540,458</b>	<b>\$ 78,772,620</b>	<b>\$ 453,313,078</b>	<b>\$ 1,130,834</b>

# City of Westland, Michigan

## Governmental Funds Balance Sheet June 30, 2004

	Major Funds			Other Nonmajor	Total
	General	Major Road	Local Road	Governmental	Governmental
	Fund	Fund	Fund	Funds	Funds
<b>Assets</b>					
Cash and cash equivalents	\$ -	\$ 2,540,973	\$ 2,346,235	\$ 3,807,607	\$ 8,694,815
Investments	-	259,845	-	408,328	668,173
Receivables - Net	1,172,524	827	166,691	556,608	1,896,650
Prepaid costs and other assets	126,828	-	-	-	126,828
Due from other funds (Note 7)	2,191,356	593,703	-	599,644	3,384,703
Due from other governmental units	3,135,228	615,136	220,896	455,973	4,427,233
Total assets	<u>\$ 6,625,936</u>	<u>\$ 4,010,484</u>	<u>\$ 2,733,822</u>	<u>\$ 5,828,160</u>	<u>\$ 19,198,402</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 1,376,281	\$ 228,630	\$ 193,202	\$ 246,706	\$ 2,044,819
Accrued and other liabilities	1,245,982	-	-	-	1,245,982
Due to other funds	714,717	722,797	1,118,415	848,528	3,404,457
Escrow deposits	-	-	-	100,000	100,000
Deferred revenue	314,091	-	158,719	189,864	662,674
Total liabilities	3,651,071	951,427	1,470,336	1,385,098	7,457,932
<b>Fund Balances</b>					
Reserved for (Note 13):					
Retirement system	777,000	-	-	-	777,000
Other purposes	881,828	-	-	109,336	991,164
Unreserved - Designated for subsequent year expenditures	80,751	-	-	-	80,751
Unreserved	1,235,286	3,059,057	1,263,486	-	5,557,829
Unreserved - Reported in nonmajor:					
Special Revenue Funds	-	-	-	3,572,365	3,572,365
Debt Service Funds	-	-	-	475,500	475,500
Unreserved - Designated for capital projects	-	-	-	285,861	285,861
Total fund balances	<u>2,974,865</u>	<u>3,059,057</u>	<u>1,263,486</u>	<u>4,443,062</u>	<u>11,740,470</u>
Total liabilities and fund balances	<u>\$ 6,625,936</u>	<u>\$ 40,910,484</u>	<u>\$ 2,733,822</u>	<u>\$ 5,828,160</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds	382,459,241
Deferred revenue is reported in the governmental funds, but not in the government-wide statements	506,809
Accrued interest on long-term liabilities is not reported in the funds	(180,764)
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(19,919,313)
Loss in investment in joint ventures are included as part of governmental activities	(2,226,709)
Internal Service Funds are included as governmental activities	2,160,724
Net assets of governmental activities	<u>\$ 374,540,458</u>



# City of Westland, Michigan

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2004

	Major Funds			Other Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Major Road Fund	Local Road Fund		
<b>Revenues</b>					
Property taxes	\$ 19,852,920	\$ -	\$ -	\$ 2,151,553	\$ 22,004,473
Licenses and permits	1,688,891	-	-	-	1,688,891
Federal sources	68,254	-	-	2,318,970	2,387,224
State sources	9,095,301	3,622,006	1,299,760	75,443	14,092,510
Local sources	442,822	-	-	1,070,226	1,513,048
Charges for services	7,278,457	-	-	1,140,260	8,418,717
Court fines and fees	3,549,555	-	-	-	3,549,555
Special assessments	-	-	97,939	872,562	970,501
Refund of captured property taxes	1,788,389	-	-	202,646	1,991,035
Interest and other	1,996,955	13,757	2,770	84,655	2,098,137
<b>Total revenues</b>	<b>45,761,544</b>	<b>3,635,763</b>	<b>1,400,469</b>	<b>7,916,315</b>	<b>58,714,091</b>
<b>Expenditures</b>					
General government	9,664,728	-	-	-	9,664,728
Public safety	27,385,885	-	-	28,805	27,414,690
Highways, streets, and drains	-	2,252,691	2,457,436	8,699	4,718,826
Street lighting	-	-	-	1,002,644	1,002,644
Sanitation	4,844,727	-	-	-	4,844,727
Cultural and recreation	3,215,201	-	-	5,350,975	8,566,176
Contracted services	-	-	-	276,837	276,837
Debt service	17,133	-	-	1,938,628	1,955,761
Sundry	834,689	-	-	7,700	842,389
<b>Total expenditures</b>	<b>45,962,363</b>	<b>2,252,691</b>	<b>2,457,436</b>	<b>8,614,288</b>	<b>59,286,778</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(200,819)</b>	<b>1,383,072</b>	<b>(1,056,967)</b>	<b>(697,973)</b>	<b>(572,687)</b>
<b>Other Financing Sources (Uses)</b>					
Operating transfers in	279,329	-	905,501	661,459	1,846,289
Operating transfers out	(29,536)	(1,403,289)	-	(350,464)	(1,783,289)
<b>Total other financing sources (uses)</b>	<b>249,793</b>	<b>(1,403,289)</b>	<b>905,501</b>	<b>310,995</b>	<b>63,000</b>
<b>Net Change in Fund Balances</b>	<b>48,974</b>	<b>(20,217)</b>	<b>(151,466)</b>	<b>(386,978)</b>	<b>(509,687)</b>
<b>Fund Balances - July 1, 2003</b>	<b>2,925,891</b>	<b>3,079,274</b>	<b>1,414,952</b>	<b>4,830,040</b>	<b>12,250,157</b>
<b>Fund Balances - June 30, 2004</b>	<b>\$ 2,974,865</b>	<b>\$ 3,059,057</b>	<b>\$ 1,263,486</b>	<b>\$ 4,443,062</b>	<b>\$ 11,740,470</b>

# City of Westland, Michigan

## Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2004

**Net Change in Fund Balances - Total Governmental Funds** \$ (509,687)

Amounts reported for governmental activities in the statement of activities are different because:

Assets donated to the City are not recorded as revenue in the governmental funds	428,081
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	(28,936,102)
Loss on disposal of assets is not recorded as an expenditure in the governmental funds	(45,392)
Delinquent personal property tax revenues are recorded in the statement of activities when the taxes are assessed; they are not reported in the funds until collected or collectible within 60 days of year end	314,090
Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end	(260,381)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	1,490,079
Change in accrued interest on long-term debt is not recorded in the governmental funds	(20,790)
Increase in accumulated employee sick and vacation pay, as well as estimated general liability claims, is recorded when earned in the statement of activities	(732,289)
Net loss from the joint ventures is not recorded in the governmental funds, but is recorded in the statement of activities	(3,024,679)
Transfer from business-type activities	558,799
Internal Service Funds are also included as governmental activities	(925,891)

**Change in Net Assets of Governmental Activities** \$ (31,664,162)

# City of Westland, Michigan

## Proprietary Funds Statement of Net Assets June 30, 2004

	Enterprise Fund - Water and Sewer	Internal Service Funds
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 4,581,790	\$ 360,567
Receivables - Net	6,952,384	-
Due from other funds (Note 7)	213,700	809,552
Due from other governmental units	232,386	-
Inventories	383,360	10,366
Prepaid costs and other assets	-	3,295
Total current assets	12,363,620	1,183,780
Noncurrent assets:		
Restricted assets	1,367,065	-
Capital assets	75,139,175	2,766,324
Total noncurrent assets	76,506,240	2,766,324
Total assets	88,869,860	3,950,104
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	1,847,955	111,772
Accrued and other liabilities	318,944	751,775
Due to other funds	754,965	248,533
Escrow deposits	379,536	-
Current portion of long-term debt	1,838,823	141,535
Total current liabilities	5,140,223	1,253,615
Long-term debt - Net of current portion	4,957,017	535,765
Total liabilities	10,097,240	1,789,380
<b>Net Assets</b>		
Investment in capital assets - Net of related debt	68,512,942	2,089,024
Restricted	1,367,065	-
Unrestricted	8,892,613	71,700
Total net assets	<u>\$ 78,772,620</u>	<u>\$ 2,160,724</u>

# City of Westland, Michigan

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2003

	Enterprise Fund - Water and Sewer	Internal Service Funds
<b>Operating Revenues</b>		
Water and sewer	\$ 15,406,621	\$ -
Charges for services	1,126,766	3,308,094
Federal sources	110,819	-
State sources	87,588	-
Penalties and other	721,388	-
Total operating revenues	17,453,182	3,308,094
<b>Operating Expenses</b>		
Cost of water	3,569,123	-
Cost of sewage disposal	5,803,866	-
Wages and fringe benefits	2,703,338	514,229
Contracted services	2,399,356	136,000
Operating supplies	318,838	262,918
Repairs and maintenance	52,647	354,292
Insurance, claims, and other	-	2,069,014
Depreciation	1,305,300	871,132
Sundry	150,433	-
Rentals	464,354	26,157
Total operating expenses	16,767,255	4,233,742
<b>Operating Income (Loss)</b>	685,927	(925,648)
<b>Nonoperating Revenue (Expenses)</b>		
Investment income	38,794	4,949
Interest expense	(452,106)	(12,472)
Gain on disposal of assets	-	7,280
Total nonoperating expenses	(413,312)	(243)
<b>Income (Loss) - Before other financing uses and capital contributions</b>	272,615	(925,891)
<b>Other Financing Uses - Operating transfers out</b>	(63,000)	-
<b>Capital Contributions</b>	2,289,925	-
<b>Change in Net Assets</b>	2,499,540	(925,891)
<b>Net Assets - July 1, 2003</b>	76,273,080	3,086,615
<b>Net Assets - June 30, 2004</b>	<b>\$ 78,772,620</b>	<b>\$ 2,160,724</b>
<b><u>Reconciliation to Government-wide Statement of Activities</u></b>		
<b>Change in Net Assets - Enterprise - Water and Sewer Fund</b>	\$ 2,499,540	
<b>Transfer to Governmental Activities</b>	(558,799)	
<b>Change in Net Assets - Business-type activities</b>	<b>\$ 1,940,741</b>	

# City of Westland, Michigan

## Proprietary Funds Statement of Cash Flows Year Ended June 30, 2004

	Enterprise Fund - Water and Sewer	Internal Service Funds	Total
<b>Cash Flows from Operating Activities</b>			
Receipts from customers	\$ 17,288,855	\$ -	\$ 17,288,855
Payments to suppliers	(12,819,609)	(603,968)	(13,423,577)
Payments to employees	(2,682,624)	(510,111)	(3,192,735)
Internal activity - Payments from other funds	-	3,531,073	3,531,073
Claims paid	-	(2,011,193)	(2,011,193)
Other receipts	520,256	-	520,256
Net cash provided by operating activities	2,306,878	405,801	2,712,679
<b>Cash Flows from Noncapital Financing Activities -</b>			
Receipt of amounts owed from other funds	74,826	-	74,826
<b>Cash Flows from Capital and Related Financing Activities</b>			
Collection of customer assessments and fees	1,398,124	-	1,398,124
Operating transfers to other funds	(63,000)	-	(63,000)
Principal and interest paid on long-term debt	(5,559,794)	(85,989)	(5,645,783)
Purchase of capital assets	(1,118,595)	(409,796)	(1,528,391)
Proceeds from sale of assets	-	7,280	7,280
Proceeds from long-term debt	3,025,000	402,194	3,427,194
Net cash used in capital and related financing activities	(2,318,265)	(86,311)	(2,404,576)
<b>Cash Flows from Investing Activities - Interest received on investments and other assets</b>	38,016	4,949	42,965
<b>Net Increase in Cash and Cash Equivalents</b>	101,455	324,439	425,894
<b>Cash and Cash Equivalents - July 1, 2003</b>	5,830,335	36,128	5,866,463
<b>Cash and Cash Equivalents - June 30, 2004</b>	<u>\$ 5,931,790</u>	<u>\$ 360,567</u>	<u>\$ 6,292,357</u>
<b>Balance Sheet Classification of Cash and Cash Equivalents</b>			
Cash and cash equivalents	\$ 4,581,790	\$ 360,567	\$ 4,942,357
Restricted assets (Note 6)	1,350,000	-	1,350,000
Total	<u>\$ 5,931,790</u>	<u>\$ 360,567</u>	<u>\$ 6,292,357</u>

# City of Westland, Michigan

## Proprietary Funds Statement of Cash Flows (Continued) Year Ended June 30, 2003

	Enterprise Fund - Water and Sewer	Internal Service Funds	Total
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</b>			
Operating income (loss)	\$ 685,927	\$ (925,648)	\$ (239,721)
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation	1,305,300	871,132	2,176,432
Changes in assets and liabilities:			
Receivables	34,080	-	34,080
Due from other governmental units	(10,940)	-	(10,940)
Due from other funds	-	(25,554)	(25,554)
Inventory	(27,695)	15,600	(12,095)
Other assets	-	90,731	90,731
Accounts payable	(71,526)	(10,759)	(82,285)
Accrued and other liabilities	58,943	141,766	200,709
Due to other funds	332,789	248,533	581,322
Net cash provided by operating activities	<u><u>\$ 2,306,878</u></u>	<u><u>\$ 405,801</u></u>	<u><u>\$ 2,712,679</u></u>

**Noncash Activities** - Capital assets of \$891,801 were acquired through contributions from developers.

# City of Westland, Michigan

## Fiduciary Funds Statement of Net Assets June 30, 2004

	Pension Trust Fund - Police and Fire Retirement	Agency Funds
<b>Assets</b>		
Cash and cash equivalents	\$ 51,539	\$ 4,289,152
Investments:		
U.S. government securities	13,875,418	-
Corporate bonds	30,634,522	-
Common stock	62,993,102	-
Real estate investment trust	2,000,000	-
Mutual funds	3,757,553	-
Accrued interest and other assets	390,858	100
<b>Total assets</b>	<b>113,702,992</b>	<b>4,289,252</b>
<b>Liabilities</b>		
Accounts payable	-	35,473
Accrued and other liabilities	-	3,321,177
Due to component units	-	3,248
Due to other governmental units	-	929,354
<b>Total liabilities</b>	<b>-</b>	<b>4,289,252</b>
<b>Net Assets - Held in trust for pension benefits and other purposes</b>	<b>\$ 113,702,992</b>	<b>\$ -</b>

# City of Westland, Michigan

## Fiduciary Funds Statement of Changes in Plan Net Assets Year Ended June 30, 2004

	Pension Trust Fund - Police and Fire Retirement
<b>Additions</b>	
Investment income:	
Interest and dividends	\$ 2,817,840
Net increase in fair value of investments	11,236,297
Investment related expenses	<u>(134,216)</u>
Total investment income	13,919,921
Contributions:	
Employer:	
Pension	2,367,997
Medical insurance	1,720,533
Employee	<u>7,822</u>
Total contributions	4,096,352
<b>Deductions</b>	
Benefit payments	5,988,672
Medical premiums	<u>1,720,533</u>
Total deductions	<u>7,709,205</u>
<b>Net Increase</b>	10,307,068
<b>Net Assets Held in Trust for Pension and Other Employee Benefits</b>	
Beginning of year	<u>103,395,924</u>
End of year	<u><u>\$ 113,702,992</u></u>



# City of Westland, Michigan

## Component Units Statement of Net Assets (Deficit) June 30, 2004

	Downtown Development Authority	Economic Development Corporation	Local Development Finance Authority	Tax Increment Finance Authorities		Total
				District 1	District 2	
<b>Assets</b>						
Cash and cash equivalents	\$ 887,311	\$ 4,838	\$ 331,685	\$ 40,696	\$ -	\$ 1,264,530
Investments	-	-	-	383,037	-	383,037
Due from the City of Westland	-	-	3,248	-	-	3,248
Accrued interest receivable	-	-	-	271,691	-	271,691
Restricted assets	2,420,000	-	-	-	-	2,420,000
Capital assets	90,000	-	-	-	-	90,000
Total assets	3,397,311	4,838	334,933	695,424	-	4,432,506
<b>Liabilities</b>						
Accounts payable	149,418	-	1,400	136,348	-	287,166
Accrued interest	14,506	-	-	-	-	14,506
Due to City of Westland	-	-	-	120,000	-	120,000
Long-term debt - Current portion	220,000	-	65,000	-	-	285,000
Long-term debt	2,200,000	-	395,000	-	-	2,595,000
Total liabilities	2,583,924	-	461,400	256,348	-	3,301,672
<b>Net Assets (Deficit)</b>						
Investment in capital assets - Net of related debt	90,000	-	-	-	-	90,000
Unrestricted	723,387	4,838	(126,467)	439,076	-	1,040,834
Total net assets (deficit)	\$ 813,387	\$ 4,838	\$ (126,467)	\$ 439,076	\$ -	\$ 1,130,834

# City of Westland, Michigan

	<u>Expenses</u>	<u>Program Revenues</u>	<u>Downtown Development Authority</u>
<b>Governmental Activities</b>			
Downtown Development Authority - Operations	\$ 1,160,370	\$ -	\$ (1,160,370)
Economic Development Corporation - Operations	-	-	-
Local Development Finance Authority - Operations	68,378	-	-
Tax Increment Finance Authority - District 1 Operations	588,594	-	-
Tax Increment Finance Authority - District 2 Operations	-	-	-
Total governmental activities	<u>\$ 1,817,342</u>	<u>\$ -</u>	(1,160,370)
General revenues:			
Property taxes			928,263
Property tax refunds			-
Interest and sundry			<u>18,343</u>
Total general revenues			<u>946,606</u>
<b>Change in Net Assets (Deficit)</b>			(213,764)
<b>Net Assets (Deficit) - July 1, 2003</b>			<u>1,027,151</u>
<b>Net Assets (Deficit) - June 30, 2004</b>			<u><b>\$ 813,387</b></u>

**Component Units  
Statement of Activities  
Year Ended June 30, 2004**

Net (Expense) Revenue and Changes in Net Assets (Deficit)				
Economic Development Corporation	Local Development Finance Authority	Tax Increment Finance Authority - District 1	Tax Increment Finance Authority - District 2	Total
\$ -	\$ -	\$ -	\$ -	\$ (1,160,370)
-	-	-	-	-
-	(68,378)	-	-	(68,378)
-	-	(588,594)	-	(588,594)
-	-	-	-	-
-	(68,378)	(588,594)	-	(1,817,342)
-	191,529	3,466,364	-	4,586,156
-	(39,024)	(3,266,355)	-	(3,305,379)
-	5,511	48,519	-	72,373
-	158,016	248,528	-	1,353,150
-	89,638	(340,066)	-	(464,192)
4,838	(216,105)	779,142	-	1,595,026
<u>\$ 4,838</u>	<u>\$ (126,467)</u>	<u>\$ 439,076</u>	<u>\$ -</u>	<u>\$ 1,130,834</u>

### **Note 1 - Summary of Significant Accounting Policies**

The accounting policies of the City of Westland, Michigan (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies under this new financial model:

#### **Reporting Entity**

The City is governed by an elected mayor and an elected seven-member council. The accompanying financial statements present the City of Westland, Michigan and its component units, entities for which the City is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government, and separate financial statements are not issued.

#### **Discretely Presented Component Units**

- a. The Local Development Finance Authority and the Tax Increment Finance Authorities, Districts 1 and 2, were created to promote economic growth and business development within the community. The Local Development Finance Authority governing body consists of 11 individuals. The mayor appoints seven of these individuals, and the other four individuals are made up of one member appointed by the County Board of Commissioners, one representative of the local community college, and two members appointed by the local school district. The Tax Increment Finance Authorities' governing bodies each consist of the same nine individuals. These individuals are all appointed by the mayor and confirmed by the City Council. In addition, each Authority's budget is subject to approval by the City Council.
- b. The Economic Development Corporation was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the City so as to provide needed services and facilities of such enterprises to residents of the City. The Corporation's governing body consists of nine individuals who are appointed by the mayor and confirmed by the City Council.

### **Note I - Summary of Significant Accounting Policies (Continued)**

- c. The Downtown Development Authority was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The Authority's governing body, which consists of 11 individuals, is appointed by the mayor and confirmed by the City Council. In addition, the Authority's budget is subject to approval by the City Council.
- d. The Brownfield Redevelopment Authority was created to remediate contaminated properties located within the City and to promote economic growth for these properties through the use of a state-approved revolving loan fund. The properties included are listed as contaminated by the Environmental Protection Agency. The Authority's governing body, which consists of nine individuals, is appointed by the mayor and confirmed by the City Council. In addition, the Authority's budget is subject to approval by the City Council.

### **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, special assessments, state-shared revenue, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. Sales taxes collected and held by the State at year end on behalf of the City also are recognized as revenue. All other revenue items, such as fines and permits, are considered to be available only when cash is received by the City.

The City reports the following major governmental funds:

**General Fund** - The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

**Major Road Fund** - The Major Road Fund is used to account for the resource of state gas and weight tax revenues that are restricted for use on major roads.

**Local Road Fund** - The Local Road Fund is used to account for the resource of state gas and weight tax revenues that are restricted for use on local roads.

The City reports the following major proprietary fund:

**Enterprise Fund - Water and Sewer** - The Water and Sewer Fund accounts for the activities of the water distribution system and sewage collection system.

Additionally, the government reports the following fund types:

**Internal Service Funds** - The Internal Service Funds account for major machinery and equipment purchases and maintenance, as well as risk management services provided to other departments of the government on a cost reimbursement basis.

**Fiduciary Funds** - The Police and Fire Retirement Pension Trust Fund accounts for the activities of the police and fire employees' retirement system, which accumulates resources for pension benefit payments to qualified police and fire employees. The Trust and Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, organizations, other governments, or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. The Water and Sewer Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

#### **Assets, Liabilities, and Net Assets or Equity**

**Bank Deposits and Investments** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts had been recorded as the City believes all receivables will be collected.

**Property Taxes** - Property taxes are levied on each July 1 on the taxable valuation of property as of the preceding December 31. Taxes are due on August 15, with the final collection date of February 28 before they are added to the delinquent county tax rolls.

The 2003 taxable valuation of the City totaled approximately \$1.90 billion, on which ad valorem taxes levied consisted of 6.5669 mills for the City's operating purposes, .9599 mills for operation of the library, 2.1365 mills for the Police and Fire Pension Fund, 2.4619 mills for sanitation, and .3022 mills for water and sewer debt service. The ad valorem taxes levied raised approximately \$12.5 million for City operations, approximately \$1.8 million for operation of the library, approximately \$4.1 million for the Police and Fire Pension Fund, approximately \$4.7 million for sanitation, and approximately \$0.6 million for water and sewer debt service. These amounts are recognized in the respective General Fund, Special Revenue Fund, and Enterprise Fund financial statements as taxes receivable or as tax revenue.

**Inventories and Prepaid Costs** - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

**Restricted Assets** - The revenue bonds of the Enterprise Funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets, as well as amounts on deposit at the county being held for the construction or debt service of the City's water and sewer lines.



### Note 1 - Summary of Significant Accounting Policies (Continued)

**Capital Assets** - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the estimated useful lives:

Roads and sidewalks	20-30 years
Buildings and improvements	20-40 years
Water and sewer distribution system	100 years
Tools and equipment	2-40 years

**Compensated Absences (Vacation and Sick Leave)** - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Under the City's policy, employees earn sick and vacation time based on time of service with the City. All vacation and sick pay is accrued when incurred in the government-wide financial statements. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

**Long-term Obligations** - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. The face amount of debt issued is reported as other financing sources.

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

### Note 2 - Stewardship, Compliance, and Accountability

**Budgetary Information** - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General and all Special Revenue Funds, except that reimbursements to the General Fund from other funds have been included in revenue, rather than as a reduction of expenditures, transfers are included as revenue and expenditures, and proceeds of long-term debt are included as revenue.

The annual budget is prepared by the City management and adopted by the City Council; subsequent amendments are approved by the City Council. The General Fund budget, including the District Court, has been adopted on a departmental basis. The other funds' budgets have been adopted on an aggregate basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law.

Unexpended appropriations lapse at year end. The amount of encumbrances outstanding at June 30, 2004 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

A comparison of the actual results of operations to the budgeted amounts (at the level of control adopted by the City Council) for the General Fund and Major Special Revenue Funds is presented as required supplementary information. Information comparing other Special Revenue Fund activity to the respective budgets can be obtained at City Hall.

**Excess of Expenditures Over Appropriations in Budgeted Funds** - During the year, the City incurred expenditures that were in excess of the amounts budgeted, as follows:

	Budget	Actual
General Fund:		
General - Law	\$ 550,000	\$ 567,554
Insurance and bonds	1,925,000	2,013,992
Youth assistance	206,940	228,196
Ice arena	477,852	545,942
Local Road Fund	2,440,018	2,457,436

### Note 3 - Deposits and Investments

Michigan Compiled Laws, Section 129.91 authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications that matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions that are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The governing body has designated five banks for the deposit of Local Unit funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, and such obligations, bonds, and securities as permitted by the statutes of the State of Michigan.

The City's deposits and investment policy are in accordance with statutory authority.

At year end, the deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business-type Activities	Agency Funds	Total Primary Government	Police and Fire Retirement System	Component Units
Cash and cash equivalents	\$ 9,020,199	\$ 4,581,790	\$ 4,289,152	\$ 17,891,141	\$ 51,539	\$ 1,264,530
Investments	668,173	-	-	668,173	113,260,595	383,037
Restricted assets	-	1,350,000	-	1,350,000	-	2,420,000
Total	<u>\$ 9,688,372</u>	<u>\$ 5,931,790</u>	<u>\$ 4,289,152</u>	<u>\$ 19,909,314</u>	<u>\$ 113,312,134</u>	<u>\$ 4,067,567</u>

The breakdown between deposits and investments for the City is as follows:

	Cash and Cash Equivalents	Restricted Assets (Note 6)	Total Primary Government	Police and Fire Retirement System	Component Units
Deposits	\$ 7,986,465	\$ -	\$ 7,986,465	\$ 51,539	\$ 420,424
Investments	10,571,255	1,350,000	11,921,255	113,260,595	3,647,143
Petty cash and cash on hand	1,594	-	1,594	-	-
Total	<u>\$ 18,559,314</u>	<u>\$ 1,350,000</u>	<u>\$ 19,909,314</u>	<u>\$ 113,312,134</u>	<u>\$ 4,067,567</u>

### **Note 3 - Deposits and Investments (Continued)**

#### **Deposits**

The bank balance of the primary government's deposits is \$8,241,669, of which \$626,990 is covered by federal depository insurance and the remainder is uninsured and uncollateralized. The component units' deposits had a bank balance of \$479,743, of which \$200,000 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution with which it deposits City funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

#### **Investments**

The City is authorized by Michigan Public Act 20 of 1943 (as amended) to invest surplus monies (of nonpension funds) in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, bankers' acceptances and mutual funds, and investment pools that are composed of authorized investment vehicles.

The Pension Trust Fund is also authorized by Michigan Public Act 55 of 1982, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate, debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The City's investments are categorized below to give an indication of the level of risk assumed by the entity at June 30, 2004. Risk Category 1 includes those investments that meet any one of the following criteria:

- a. Insured
- b. Registered
- c. Held by the City or its agent

Risk Categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the City's name. Category 3 includes investments held by:

- a. The counterparty
- b. The counterparty's trust department (or agent) but not in the City's name

# City of Westland, Michigan

## Notes to Financial Statements June 30, 2004

### Note 3 - Deposits and Investments (Continued)

At June 30, 2004, the City's investment balances were categorized as follows:

	Total Primary Government	Police and Fire Retirement System	Component Units
Category 2 investments:			
U.S. government securities	\$ -	\$ 13,875,418	\$ 383,037
Corporate bonds	-	30,634,522	-
Common stock	-	62,993,102	-
Subtotal	-	107,503,042	383,037
Investments not subject to categorization:			
Bank investment pools	11,921,255	-	3,264,106
Real Estate Investment Trust	-	2,000,000	-
Mutual funds	-	3,757,553	-
Total primary government	<u>\$ 11,921,255</u>	<u>\$ 113,260,595</u>	<u>\$ 3,647,143</u>

Investments not subject to categorization are not evidenced by securities that exist in physical or book entry form. The bank investment pools and mutual funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. The mutual funds are registered with the SEC. The bank investment pools are regulated by the Michigan Banking Act. The fair value of the position in the bank investment pools is the same as the value of the pool shares.

Included in the City's investments at June 30, 2004 are the following:

- Approximately \$1,053,000 of securities issued by the Government National Mortgage Association (GNMA). These investments are backed by the full faith and credit of the U.S. government. The yields provided by these mortgage-related securities historically have exceeded the yields on other types of U.S. government securities with comparable maturities, in large measure due to the potential for prepayment. Prepayment could result in difficulty in reinvesting the prepaid amounts in investments with comparable yields.

### Note 3 - Deposits and Investments (Continued)

- Approximately \$10,004,000 of collateralized mortgage obligations and securities issued by the Federal National Mortgage Association (FNMA). These investments are usually not backed by the full faith and credit of the U.S. government, but are generally considered to offer modest credit risks. The yields provided by these mortgage-related securities historically have exceeded the yields on other types of U.S. government securities with comparable maturities, in large measure due to the potential for prepayment. Prepayment could result in difficulty in reinvesting the prepaid amounts in investments with comparable yields.
- Asset-backed securities of approximately \$2,300,000. These securities are backed by credit card receivables. These obligations typically include credit enhancements in the form of overcollateralization, third-party letters of credit, seller recourse, insurance company guarantees, and/or senior subordinated structures. These securities are generally considered to offer modest credit risk, but such risk varies depending on the type of asset being securitized and the extent and nature of the credit enhancement. Prepayments for these “pay through” securities could result in difficulty reinvesting the prepaid amounts in investments with comparable yields.

### Note 4 - Receivables

The City’s receivables of governmental activities are as follows:

	General Fund	Major Road Funds	Local Road Funds	Nonmajor and Other Funds	Total
Receivables:					
Taxes	\$ 1,145,060	\$ -	\$ 7,615	\$ 223,267	\$ 1,375,942
Intergovernmental	3,135,228	615,136	220,896	455,973	4,427,233
Special assessments	3,996	-	158,781	113,559	276,336
Interest and other	<u>23,468</u>	<u>827</u>	<u>295</u>	<u>219,782</u>	<u>244,372</u>
Total receivables	<u>\$ 4,307,752</u>	<u>\$ 615,963</u>	<u>\$ 387,587</u>	<u>\$ 1,012,581</u>	<u>\$ 6,323,883</u>

The delinquent real property taxes of the City are purchased by the County of Wayne. Subsequent to year end, the county issued tax notes, the proceeds of which were used to pay the City for these property taxes. These taxes have been recorded as revenue for the current year.

The City considers all receivables to be collectible and has not recorded an allowance for doubtful accounts.

# City of Westland, Michigan

## Notes to Financial Statements June 30, 2004

### Note 4 - Receivables (Continued)

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Revenue Not Available	Revenue Not Earned	Total
General Fund	\$ 314,091	\$ -	\$ 314,091
Local Road Fund	158,719	-	158,719
Other nonmajor governmental funds	33,999	155,865	189,864
Total	<u>\$ 506,809</u>	<u>\$ 155,865</u>	<u>\$ 662,674</u>

### Note 5 - Capital Assets

Capital asset activity of the primary government's governmental and business-type activities was as follows:

Governmental Activities	Balance July 1, 2003	Additions	Transfers In	Disposals and Adjustments	Balance June 30, 2004	Depreciable Life - Years
Capital assets not being depreciated - Land	\$ 2,239,270	\$ 146,500	\$ -	\$ 45,391	\$ 2,340,379	-
Capital assets being depreciated:						
Roads and sidewalks	748,423,309	2,025,354	-	348,983	750,099,680	20-30
Buildings and improvements	17,390,811	-	-	-	17,390,811	20-40
Other tools and equipment	17,239,630	1,382,802	1,980,075	300,471	20,302,036	3-40
Subtotal	783,053,750	3,408,156	1,980,075	649,454	787,792,527	
Accumulated depreciation:						
Roads and sidewalks	360,136,735	30,127,100	-	348,983	389,914,852	
Buildings and improvements	2,649,253	386,557	-	-	3,035,810	
Other tools and equipment	8,851,053	2,010,354	1,395,743	300,471	11,956,679	
Subtotal	371,637,041	32,524,011	1,395,743	649,454	404,907,341	
Net capital assets being depreciated	411,416,709	(29,115,855)	584,332	-	382,885,186	
Net capital assets	<u>\$ 413,655,979</u>	<u>\$ (28,969,355)</u>	<u>\$ 584,332</u>	<u>\$ 45,391</u>	<u>\$ 385,225,565</u>	

# City of Westland, Michigan

## Notes to Financial Statements June 30, 2004

### Note 5 - Capital Assets (Continued)

Business-type Activities	Balance July 1, 2003	Additions	Transfers Out	Disposals and Adjustments	Balance June 30, 2004	Depreciable Life - Years
Capital assets being depreciated:						
Water and sewer distribution systems	\$ 95,571,366	\$ 2,010,394	\$ -	\$ -	\$ 97,581,760	100
Other tools and equipment	<u>1,980,075</u>	<u>-</u>	<u>(1,980,075)</u>	<u>-</u>	<u>-</u>	2-20
Subtotal	97,551,441	2,010,394	(1,980,075)	-	97,581,760	
Accumulated depreciation:						
Water and sewer distribution systems	21,137,285	1,305,300	-	-	22,442,585	
Other tools and equipment	<u>1,395,743</u>	<u>-</u>	<u>(1,395,743)</u>	<u>-</u>	<u>-</u>	
Subtotal	22,533,028	1,305,300	(1,395,743)	-	22,442,585	
Net capital assets	<u>\$ 75,018,413</u>	<u>\$ 705,094</u>	<u>\$ (584,332)</u>	<u>\$ -</u>	<u>\$ 75,139,175</u>	

Depreciation expense was charged to programs of the primary government as follows:

#### Governmental activities:

General government	\$ 912,217
Public safety	464,878
Public works	30,154,100
Recreation and culture	121,684
Internal Service Fund depreciation is charged to the various functions based on their usage of the asset	<u>871,132</u>

Total governmental activities \$ 32,524,011

Business-type activities - Enterprise Fund - Water and Sewer \$ 1,305,300



### Note 6 - Restricted Assets

Restricted assets at June 30, 2004 consist of the following:

Investments	\$ 1,350,000
Assets held at Wayne County for water and sewer line construction	<u>17,065</u>
Total restricted assets	<u><u>\$ 1,367,065</u></u>

These assets are restricted for the following purposes:

Bond reserve for 1995 Water and Sewer Revenue Bonds	\$ 575,000
Construction of North Huron Valley/Rouge Valley Sewer System	<u>17,065</u>
Bond reserve for 1998 Water and Sewer Revenue Bonds	397,500
Bond reserve for 2003 Water and Sewer Revenue Bonds	<u>377,500</u>
Total restricted assets	<u><u>\$ 1,367,065</u></u>

Restricted assets in the Downtown Development Authority consist of unspent bond proceeds totaling \$2,420,000.

### Note 7 - Interfund Balances and Operating Transfers

The composition of interfund receivables and payables balances is as follows:

#### General Fund:

Major Road Fund	\$ 722,797
Local Road Fund	571,342
Water and Sewer Fund	286,159
Other nonmajor governmental funds	<u>611,058</u>
Total General Fund	2,191,356

#### Major Road Fund:

Local Road Fund	547,073
Water and Sewer Fund	<u>46,630</u>
Total Major Road Fund	593,703

### Note 7 - Interfund Balances and Operating Transfers (Continued)

Other governmental funds:	
General Fund	\$ 169,301
Water and Sewer Fund	63,000
Other nonmajor governmental funds	<u>367,343</u>
Total other governmental funds	<u>599,644</u>
Total governmental funds	3,384,703
Water and Sewer Fund - Other nonmajor proprietary funds	213,700
Other proprietary funds:	
General Fund	450,376
Water and Sewer Fund	<u>359,176</u>
Total other proprietary funds	<u>809,552</u>
Total proprietary funds	<u>1,023,252</u>
Total	<u>\$ 4,407,955</u>

Interfund balances represent routine and temporary cash flow assistance resulting from normal interfund activity until the amounts can be reimbursed between the funds.

### Note 7 - Interfund Balances and Operating Transfers (Continued)

The composition of operating transfers is as follows:

Operating Transfer Out	Operating Transfer In	Amount
General Fund	Other governmental funds (1)	\$ 29,536
Major Road Fund	Local Road Fund (2)	905,501
	Other governmental funds (1)	<u>497,788</u>
	Total Major Road Fund	1,403,289
Water and Sewer Fund	Drain Problem Fund (3)	63,000
Other governmental funds	General Fund (2)	279,329
	Other governmental funds (2)	<u>71,135</u>
	Total other governmental funds	<u>350,464</u>
	Total operating transfers	<u><u>\$ 1,846,289</u></u>

(1) Transfer for debt service

(2) Transfer for general operations

(3) Transfer for capital improvements

### Note 8 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements and installment purchase agreements are also general obligations of the government.

Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

# City of Westland, Michigan

## Notes to Financial Statements June 30, 2004

### Note 8 - Long-term Debt (Continued)

Long-term obligation activity can be summarized as follows:

<b>Governmental Activities</b>	<b>July 1, 2003</b>	<b>Additions</b>	<b>Transfer In (Out)</b>	<b>Reductions</b>	<b>June 30, 2004</b>	<b>Due Within One Year</b>
General obligation bonds:						
1997 Michigan Transportation Fund Bonds	\$ 1,950,000	\$ -	\$ -	\$ (150,000)	\$ 1,800,000	\$ 200,000
1998 Michigan Transportation Fund Bonds	2,600,000	-	-	(150,000)	2,450,000	150,000
1998 Building Authority Bonds	2,300,000	-	-	(75,000)	2,225,000	75,000
1999 Building Authority Bonds	2,450,000	-	-	(75,000)	2,375,000	75,000
County drain contracts	3,460,161	-	-	(698,972)	2,761,189	679,143
HUD Section 108 loans	640,000	-	-	(100,000)	540,000	100,000
Compensated absences	6,825,310	732,289	-	-	7,557,599	1,801,859
Installment purchase agreements:						
Police communications equipment	434,819	-	-	(182,715)	252,104	44,183
Other equipment	302,321	402,194	63,115	(131,909)	635,721	185,751
Total governmental activities	<u>\$ 20,962,611</u>	<u>\$ 1,134,483</u>	<u>\$ 63,115</u>	<u>\$ (1,563,596)</u>	<u>\$ 20,596,613</u>	<u>\$ 3,310,936</u>
<b>Business-type Activities</b>						
Revenue bonds:						
1995 Water and Sewer Revenue Bonds	\$ 1,900,000	\$ -	\$ -	\$ (900,000)	\$ 1,000,000	\$ 1,000,000
1996 Water and Sewer Revenue Bonds	3,650,000	-	-	(3,650,000)	-	-
1998 Water and Sewer Revenue Bonds	2,975,000	-	-	(50,000)	2,925,000	200,000
2003 Water and Sewer Revenue Bonds	-	3,025,000	-	(415,000)	2,610,000	425,000
Compensated absences	169,607	-	-	-	169,607	169,607
Installment purchase agreements - Other equipment	195,930	-	(63,115)	(41,582)	91,233	44,216
Total business-type activities	<u>\$ 8,890,537</u>	<u>\$ 3,025,000</u>	<u>\$ (63,115)</u>	<u>\$ (5,056,582)</u>	<u>\$ 6,795,840</u>	<u>\$ 1,838,823</u>

Note: The change in compensated absences is the net change to the liability during the year ended June 30, 2004.

#### Component Units

General obligation bonds:

2003 Local Development Finance Authority Bonds	\$ 525,000	\$ -	\$ -	\$ (65,000)	\$ 460,000	\$ 65,000
2003 Downtown Development Authority Bonds	-	2,420,000	-	-	2,420,000	220,000
Total component units	<u>\$ 525,000</u>	<u>\$ 2,420,000</u>	<u>\$ -</u>	<u>\$ (65,000)</u>	<u>\$ 2,880,000</u>	<u>\$ 285,000</u>

# City of Westland, Michigan

## Notes to Financial Statements June 30, 2004

### Note 8 - Long-term Debt (Continued)

Other information concerning long-term debt obligations is as follows:

	Original Principal	Outstanding Debt June 30, 2004	Final Payment Date	Maturity Payment Ranges	Interest Rates
<b>Governmental Activities</b>					
General obligation bonds:					
1997 Michigan Transportation Fund Bonds	\$ 2,500,000	\$ 1,800,000	12/01/2011	\$200,000-\$250,000	4.000%-5.400%
1998 Michigan Transportation Fund Bonds	2,900,000	2,450,000	12/01/2013	\$150,000-\$400,000	4.250%-4.500%
1998 Building Authority Bonds	2,500,000	2,225,000	04/01/2019	\$75,000-\$250,000	4.500%-6.500%
1999 Building Authority Bonds	2,600,000	2,375,000	11/01/2019	\$75,000 - \$250,000	5.000%-6.000%
County drain contracts	8,789,204	2,761,185	05/01/2008	\$4,957-\$694,015	5.200%-5.700%
Other debt	2,826,374	1,427,829	04/08/2010	\$7,456-\$90,737	3.410%-6.490%
Total governmental activities	<u>\$ 22,115,578</u>	<u>\$ 13,039,014</u>			
<b>Business-type Activities</b>					
Revenue bonds:					
1995 Water and Sewer Revenue Bonds	\$ 7,100,000	\$ 1,000,000	04/01/2005	\$900,000-\$1,000,000	4.800%-4.875%
1998 Water and Sewer Revenue Bonds	3,225,000	2,925,000	04/01/2018	\$50,000-\$250,000	4.400%-6.400%
2003 Water and Sewer Revenue Bonds	3,025,000	2,610,000	04/01/2009	\$415,000-\$605,000	2.250 %-3.00%
Other debt	308,912	91,233	04/08/2010	\$8,383-\$48,858	3.410%-6.158%
Total business-type activities	<u>\$ 13,658,912</u>	<u>\$ 6,626,233</u>			
<b>Component Units</b>					
General obligation bonds:					
2003 Local Development Finance Authority Bonds	\$ 525,000	\$ 460,000	06/01/2010	\$65,000-\$85,000	1.800%-3.800%
2003 Downtown Development Authority Bonds	2,420,000	2,420,000	10/01/2009	\$220,000-\$550,000	2.000%-2.875%
Total component units	<u>\$ 2,945,000</u>	<u>\$ 2,880,000</u>			

Annual debt service requirements to maturity for the City's long-term obligations, except compensated absences, are as follows:

	Governmental Activities			Business-type Activities			Component Units		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2005	\$ 1,509,077	\$ 636,172	\$ 2,145,249	\$ 1,669,216	\$ 257,886	\$ 1,927,102	\$ 285,000	\$ 68,986	\$ 353,986
2006	1,534,085	554,656	2,088,741	757,017	184,023	941,040	385,000	62,616	447,616
2007	1,536,371	473,405	2,009,776	695,000	159,494	854,494	480,000	53,704	533,704
2008	1,543,665	392,255	1,935,920	775,000	137,700	912,700	530,000	42,200	572,200
2009	769,563	312,610	1,082,173	805,000	113,375	918,375	575,000	27,813	602,813
2010	871,253	273,718	1,144,971	200,000	86,425	286,425	625,000	10,756	635,756
2011	750,000	235,794	985,794	200,000	77,625	277,625	-	-	-
2012	825,000	201,850	1,026,850	200,000	68,625	268,625	-	-	-
2013	700,000	167,475	867,475	200,000	59,625	259,625	-	-	-
2014	700,000	134,925	834,925	200,000	50,625	250,625	-	-	-
2015	375,000	110,638	485,638	200,000	41,625	241,625	-	-	-
2016	375,000	92,275	467,275	225,000	32,625	257,625	-	-	-
2017	400,000	73,150	473,150	250,000	22,500	272,500	-	-	-
2018	400,000	53,250	453,250	250,000	11,250	261,250	-	-	-
2019	500,000	31,875	531,875	-	-	-	-	-	-
2020	250,000	6,875	256,875	-	-	-	-	-	-
Totals	<u>\$ 13,039,014</u>	<u>\$ 3,750,923</u>	<u>\$ 16,789,937</u>	<u>\$ 6,626,233</u>	<u>\$ 1,303,403</u>	<u>\$ 7,929,636</u>	<u>\$ 2,880,000</u>	<u>\$ 266,075</u>	<u>\$ 3,146,075</u>

### **Note 8 - Long-term Debt (Continued)**

Total interest incurred related to governmental and business-type activities for the year approximated \$647,000 and \$452,000, respectively. Total interest incurred related to component units for the year approximated \$43,000.

During the year, the City issued \$3,025,000 in water and sewer bonds with interest rates ranging from 2.0 percent to 3.0 percent. The proceeds of these bonds were used to advance refund \$3,650,000 of outstanding general obligation bonds with interest rates ranging from 4.6 percent to 5.0 percent. The advance refunding reduced total debt service payments over the next five years by approximately \$810,000, which represents an economic gain of approximately \$270,000.

### **Note 9 - Risk Management**

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for medical claims, and participates in the Michigan Municipal Risk Management Authority risk pool for claims relating to property loss, torts, and errors and omissions; the City is uninsured for workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past four fiscal years.

The Michigan Municipal Risk Management Authority risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the City.

### Note 9 - Risk Management (Continued)

The City estimates the liability for general liability claims that have been incurred through the end of the fiscal year, including those claims that have been reported as well as those that have not yet been reported. These estimates are recorded in the General Liability Self-insurance Internal Service Fund. Changes in the estimated liability for the years ended June 30, 2004 and 2003 were as follows:

	2004	2003
Estimated liability - Beginning of year	\$ 401,519	\$ 401,519
Estimated claims incurred, including changes in estimates	1,432,319	1,278,983
Claim payments	<u>(1,432,319)</u>	<u>(1,278,983)</u>
Estimated liability - End of year	<u>\$ 401,519</u>	<u>\$ 401,519</u>

The City estimates the liability for workers' compensation claims that have been incurred through the end of the fiscal year, including those claims that have been reported as well as those that have not yet been reported. These estimates are recorded in the Workers' Compensation Self-insurance Internal Service Fund. Changes in the estimated liability for the years ended June 30, 2004 and 2003 were as follows:

Estimated liability - Beginning of year	\$ 254,112	\$ 199,419
Estimated claims incurred, including changes in estimates	636,695	418,309
Claim payments	<u>(578,874)</u>	<u>(363,616)</u>
Estimated liability - End of year	<u>\$ 311,933</u>	<u>\$ 254,112</u>

### **Note 10 - Defined Benefit Pension Plans**

#### **Police and Fire Retirement System**

**Plan Description** - The Police and Fire Pension Plan is a single-employer defined benefit pension plan that is administered by the City of Westland Police and Fire Employees' Retirement System; this plan covers all police and fire employees of the City. The system provides retirement, health care, disability, and death benefits to plan members and their beneficiaries. At June 30, 2003, the date of the most recent actuarial valuation, membership consisted of 146 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them, and 177 current active employees. The plan does not issue a separate financial report.

**Contributions** - Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Please refer to Note 1 for further significant accounting policies.

The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's competitive bargaining units. The funding policy provides for periodic employer contributions at actuarially determined rates. Administrative costs of the plan are financed through investment earnings.

**Annual Pension Costs** - For the year ended June 30, 2004, the City's annual pension cost of \$2,367,997 for the plan was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at June 30, 2003, using the entry actual age cost method. Significant actuarial assumptions used include (a) a 7.50 percent investment rate of return, (b) projected salary increases of 5.00 percent per year to 9.00 percent per year, depending on age, attributable to seniority/merit, and (c) a one-time adjustment of 5.00 percent after six years of retirement. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 10 years.



### Note 10 - Defined Benefit Pension Plans (Continued)

**Reserves** - As of June 30, 2004, the plan's legally required reserves have been fully funded as follows:

Reserve for employees' contributions	\$ 1,028,907
Reserve for retired benefit payments	59,527,660

#### Three-year Trend Information

	Fiscal Year Ended June 30		
	2002	2003	2004
Police and Fire Retirement System:			
Annual pension costs (APC)	\$ 1,782,366	\$ 1,846,559	\$ 2,367,997
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -

#### Michigan Municipal Employees' Retirement System

**Plan Description** - The City participates in the Michigan Municipal Employees' Retirement System (MMERS), an agent multiple-employer defined benefit pension plan that covers all employees of the City other than police and fire employees. The MMERS provides retirement, disability, and death benefits to plan members and their beneficiaries. The MMERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MMERS at 1134 Municipal Way, Lansing, MI 48197.

**Funding Policy** - The obligation to contribute to and maintain the MMERS for these employees was established by negotiation with the City's competitive bargaining units and requires no contribution from the employees.

### Note 10 - Defined Benefit Pension Plans (Continued)

**Annual Pension Costs** - For the year ended June 30, 2004, the City's annual pension cost of \$2,995,512 for the plan was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2003, using the entry age cost method. Significant actuarial assumptions used include: (a) an 8.00 percent investment rate of return, (b) projected salary increases of 4.50 percent per year to 8.66 percent per year, attributable to seniority/merit, and (c) postretirement benefit increases of 2.50 percent annually. Both (a) and (b) include an inflationary component of 4.50 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

### Three-year Trend Information

	Fiscal Year Ended June 30		
	2002	2003	2004
General Employees' Retirement System:			
Annual pension costs (APC)	\$ 2,861,783	\$ 2,977,737	\$ 2,995,512
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -
	Actuarial Valuation as of December 31		
	2001	2002	2003
Actuarial value of assets	\$ 41,894,603	\$ 42,681,160	\$ 45,066,599
Actuarial accrued liability (AAL) (entry)	\$ 67,725,433	\$ 72,706,810	\$ 77,912,357
Unfunded AAL (UAAL)	\$ 25,830,830	\$ 30,025,650	\$ 32,845,758
Funded ratio	61.90%	58.70%	57.84%
Covered payroll	\$ 9,139,894	\$ 9,880,279	\$ 9,755,164
UAAL as a percentage of covered payroll	283%	304%	337%

### Note 11 - Joint Ventures

The City participates in the Nankin Transit Commission and the Central Wayne County Sanitation Authority with the communities indicated below. The City appoints two members to the Nankin Transit Commission's governing board and one member to the Central Wayne County Sanitation Authority's board, who then approve the annual budget. During the current year, the Sanitation Authority ceased operations and the partnership under contract to operate the facility is in the process of declaring bankruptcy. The City recorded a long-term liability related to the Authority of approximately \$2,200,000 in the government-wide statement of net assets. The Authority's combined net assets decreased by approximately \$8,462,000 due to several factors related to the change in operations during the year. It is anticipated that the monofill owned by the Authority will no longer be accepting refuse, resulting in an impairment loss of \$9,298,000 recognized in the current year. In addition, the entire estimated closure and postclosure care costs are now recorded as a liability for the Authority. As a result, the Authority has a net asset deficit of \$5,836,000 as of June 30, 2004. The liability will be funded over the next 30 years as the debt payments and postclosure costs come due.

The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future, other than the letter of credit discussed in Note 12. Complete financial statements for the Nankin Transit Commission and the Central Wayne County Sanitation Authority can be obtained from their administrative offices at William J. Engle Memorial Building, 37137 Marquette St., Westland, MI 48185 and 4901 Inkster Road, Dearborn Heights, MI 48125, respectively.

	Nankin Transit Commission	Central Wayne County Sanitation Authority
Participating communities	City of Garden City City of Inkster City of Wayne City of Westland	City of Dearborn Heights City of Garden City City of Inkster City of Wayne City of Westland

### Note 12 - Contingent Liabilities

**Letter of Credit** - The City participates in a joint venture, the Central Wayne County Sanitation Authority, through which the City has obligated its full faith and credit under an irrevocable letter of credit. The letter of credit totals \$1,365,000, of which the City's portion would be \$505,000 should the Authority default on this letter of credit. See Note 11 for financial information on Central Wayne County Sanitation Authority.

**Environmental Cleanup** - The City may have financial exposure in actions to cleanup sites of environmental contamination. These sites are not currently owned or controlled by the City. Evaluation of the required cleanup and associated costs is in the process of being determined by the current property owners. The monetary exposure to the City cannot presently be determined but could be significant.

### Note 13 - Restricted Net Assets

Fund balances of governmental funds have been restricted for the following purposes:

Restricted for	Total Governmental Activities	Total Business-type Activities
Police and Fire Retirement System	\$ 777,000	\$ -
Street lighting	250,392	-
Public safety	68,019	-
County drain debt service	170,994	-
Restricted Cable Commission projects	109,336	-
Sewer system construction	-	17,065
Revenue bonds	-	1,350,000
Total	<u>\$ 1,375,741</u>	<u>\$ 1,367,065</u>

General Fund fund balance has also been reserved for the Police and Fire Retirement System and future sanitation expenditure amounts noted above.

### Note 14 - Postemployment Benefits

The City provides postemployment health benefits to all full-time employees upon retirement, in accordance with labor contracts. Currently, 360 retirees are eligible for postemployment health benefits. The City includes pre-Medicare retirees and their dependents in its insured health care plan, with no contribution required by the participant. The City purchases Medicare supplemental insurance for retirees eligible for Medicare. Expenditures for postemployment health care benefits are recognized as the insurance premiums become due; during the year, this amounted to approximately \$3,223,000. Of this amount, approximately \$1,721,000 and \$1,502,000 was paid by the Police and Fire Retirement System Fund and the General Fund, respectively.

The Governmental Accounting Standards Board has recently released Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions).

The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending June 30, 2009.

### Note 15 - Construction Code Fees

The City oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative shortfall generated since January 1, 2000 is as follows:

Building permit revenue	\$ 1,404,655
Direct costs	<u>(1,072,150)</u>
Excess	332,505
Cumulative shortfall - July 1, 2003	<u>(1,158,756)</u>
Cumulative shortfall - June 30, 2004	<u>\$ (826,251)</u>

### **Note 16 - Commitments**

The City has entered into several construction and maintenance contracts totaling approximately \$1,146,000. As of June 30, 2004, the City has not recorded expenditures relating to these projects, as the work has not yet been performed.

### **Note 17 - Subsequent Events**

In October 2004, the City issued bonds in order to finance major road construction. The new bonds, known as the 2004 Michigan Transportation Fund Bonds, have an outstanding balance of \$3,000,000 and are payable through 2018 with interest rates ranging from 2.5 percent to 4.0 percent.

## **Required Supplemental Information**

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# City of Westland, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
<b>Fund Balance - July 1, 2003</b>	\$ 2,925,891	\$ 2,925,891	\$ 2,925,891	\$ -
<b>Revenues</b>				
Property taxes	20,490,636	20,490,636	19,852,920	(637,716)
Licenses and permits	1,152,550	1,152,550	1,688,891	536,341
Federal sources	-	32,500	68,254	35,754
State sources	9,686,841	9,844,919	9,095,301	(749,618)
Local sources	496,024	496,024	442,822	(53,202)
Charges for services	7,280,922	7,580,922	7,278,457	(302,465)
Court fines and fees	3,910,548	3,910,548	3,549,555	(360,993)
Refund of captured property taxes	1,639,000	1,639,000	1,788,389	149,389
Interest and other	4,565,510	4,694,289	4,815,771	121,482
Transfer from other funds	-	-	279,329	279,329
Total revenues	49,222,031	49,841,388	48,859,689	(981,699)
<b>Appropriations</b>				
General government	10,519,016	11,068,473	9,664,728	1,403,745
Public safety	27,809,506	27,933,884	27,385,885	547,999
Highways, streets, and drains	3,002,753	3,156,532	2,818,816	337,716
Sanitation	4,916,114	4,916,114	4,844,727	71,387
Cultural and recreation	3,108,191	3,223,191	3,215,201	7,990
Debt service	17,147	17,147	17,133	14
Sundry - Contribution to Motorpool	911,117	911,117	834,689	76,428
Transfers to other funds	120,000	120,000	29,536	90,464
Total appropriations	50,403,844	51,346,458	48,810,715	2,535,743
<b>Fund Balance - June 30, 2004</b>	<b>\$ 1,744,078</b>	<b>\$ 1,420,821</b>	<b>\$ 2,974,865</b>	<b>\$ 1,554,044</b>

Note: The General Fund expenditures are budgeted by department. See pages 55 to 58 for that detail.



# City of Westland, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Fund Major Road Fund Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
<b>Fund Balance - July 1, 2003</b>	\$ 3,079,274	\$ 3,079,274	\$ 3,079,274	\$ -
<b>Sources</b>				
State sources	3,300,000	3,300,000	3,622,006	322,006
Proceeds from long-term debt	-	3,470,000	-	(3,470,000)
Interest income	11,000	11,000	13,757	2,757
Total sources	6,390,274	9,860,274	6,715,037	(3,145,237)
<b>Uses</b>				
Maintenance	521,484	567,618	518,223	49,395
Traffic	100,000	100,000	104,181	(4,181)
Snow removal	270,000	270,000	259,818	10,182
Administration	171,000	171,000	362,206	(191,206)
Construction	600,000	6,620,883	1,008,263	5,612,620
Transfers to other funds	1,322,788	1,322,788	1,403,289	(80,501)
Total uses	2,985,272	9,052,289	3,655,980	5,396,309
<b>Fund Balance - June 30, 2004</b>	<b>\$ 3,405,002</b>	<b>\$ 807,985</b>	<b>\$ 3,059,057</b>	<b>\$ 2,251,072</b>

# City of Westland, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Fund Local Road Fund Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
<b>Fund Balance - July 1, 2003</b>	\$ 1,414,952	\$ 1,414,952	\$ 1,414,952	\$ -
<b>Sources</b>				
State sources	1,130,000	1,130,000	1,299,760	169,760
Special assessments	100,000	100,000	97,939	(2,061)
Interest income	3,000	3,000	2,770	(230)
Transfers from other funds	<u>825,000</u>	<u>825,000</u>	<u>905,501</u>	<u>80,501</u>
Total sources	3,472,952	3,472,952	3,720,922	247,970
<b>Uses</b>				
Maintenance	1,595,269	1,702,914	1,842,962	(140,048)
Traffic	125,000	125,000	62,122	62,878
Snow removal	225,000	255,000	164,920	90,080
Administration	140,000	140,000	129,976	10,024
Construction	<u>200,000</u>	<u>217,104</u>	<u>257,456</u>	<u>(40,352)</u>
Total uses	<u>2,285,269</u>	<u>2,440,018</u>	<u>2,457,436</u>	<u>(17,418)</u>
<b>Fund Balance - June 30, 2004</b>	<b><u>\$ 1,187,683</u></b>	<b><u>\$ 1,032,934</u></b>	<b><u>\$ 1,263,486</u></b>	<b><u>\$ 230,552</u></b>

# City of Westland, Michigan

## Required Supplemental Information Pension System Schedule of Funding Progress June 30, 2004

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Overfunded/ Underfunded AAL (UAAL) (a-b)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
<b>Michigan Municipal Employees' Retirement System</b>						
06/30/1999	\$ 35,271,168	\$ 55,867,197	\$ (20,596,029)	63	\$ 8,997,342	229
06/30/2000	38,911,192	62,181,883	(23,270,691)	63	9,599,799	242
06/30/2001	41,894,603	67,725,433	(25,830,830)	62	9,139,894	283
06/30/2002	42,681,160	72,706,810	(30,025,650)	59	9,880,279	304
06/30/2003	45,066,599	77,912,357	(32,845,758)	58	9,755,164	337
<b>Police and Fire Retirement System</b>						
06/30/1999	\$ 113,523,771	\$ 89,649,604	\$ 23,874,167	127	\$ 10,073,796	237
06/30/2000	125,162,508	95,897,285	29,265,223	131	10,295,723	284
06/30/2001	132,246,659	101,112,593	31,134,066	131	10,800,783	288
06/30/2002	124,493,268	110,362,189	14,131,079	113	11,947,513	118
06/30/2003	123,720,016	116,326,020	7,393,996	106	11,331,892	65

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution*	Percentage Contributed
06/30/00	12/31/99	\$ 2,730,122	100
06/30/01	12/31/00	2,821,432	100
06/30/02	12/31/01	2,861,783	100
06/30/03	12/31/02	2,977,737	100
06/30/04	12/31/03	2,995,512	100
<b>Police and Fire Retirement System</b>			
Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution*	Percentage Contributed
06/30/00	12/31/99	\$ 1,988,185	100
06/30/01	12/31/00	1,988,901	100
06/30/02	12/31/01	1,782,366	100
06/30/03	12/31/02	1,846,559	100
06/30/04	12/31/03	2,367,997	100

\* The required contribution is expressed to the City as a percentage of payroll.

The information presented above was determined as part of the actuarial valuations at the dates indicated.

# City of Westland, Michigan

## Required Supplemental Information Pension System Schedule of Funding Progress (Continued) June 30, 2004

Additional information as of December 31, 2002, the latest actuarial valuation date, follows:

### Michigan Municipal Employees' Retirement System

Actuarial cost method	Entry age
Amortization method	Level percent
Amortization period (perpetual)	30 years
Asset valuation method	4-year smoothed market
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases*	4.5%-8.66%
*Includes inflation at	4.5%
Cost of living adjustments	2.5%

### Police and Fire Retirement System

Actuarial cost method	Entry age
Amortization method	Level percent
Amortization period (perpetual)	10 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases*	5.0%-9.0%
*Includes inflation at	5.0%
Cost of living adjustments	One-time adjustment of 5% after six years of retirement

## **Other Supplemental Information**

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# City of Westland, Michigan

	Personnel Services		Supplies	
	Budget	Actual	Budget	Actual
<b>General Government</b>				
Legislative	\$ 93,509	\$ 90,786	\$ 6,532	\$ 1,345
City Clerk	381,900	335,375	7,383	6,664
Executive	479,352	452,092	9,655	6,149
Elections	148,640	126,899	25,329	14,971
Assessment	463,194	448,178	4,515	3,660
General - Law	-	-	-	-
General - Civil service	3,362	2,132	1,125	977
Police and fire civil service	3,014	3,012	38	37
Finance	1,345,872	1,232,171	52,000	41,075
Board of Review	6,851	2,100	66	34
City Hall and grounds	-	-	25,700	13,405
General government	1,901,050	1,438,950	55,200	53,319
Engineering	296,571	287,945	3,600	2,164
General maintenance	87,810	72,758	5,349	1,270
Planning	207,253	196,157	3,497	1,478
Planning Commission	8,100	5,640	300	9
Zoning Board of Appeals	7,033	6,508	200	86
Economic Development	72,678	67,275	7,000	6,339
Community development programs	366,655	354,790	9,613	9,586
Housing Development	324,357	314,284	-	-
Insurance and bonds	50,000	86,153	-	-
Personnel	289,736	279,797	3,390	2,476
Total general government	6,536,937	5,803,002	220,492	165,044
<b>Public Safety</b>				
District Court	2,699,540	2,697,768	75,400	73,267
Police	11,158,739	11,251,964	62,600	61,605
Fire	8,570,557	8,439,962	136,010	104,421
Police and Fire Retirement Board	-	-	-	-
Joint dispatch	1,204,896	1,113,955	3,918	1,967
Building	1,037,685	1,008,484	15,075	12,494
Total public safety	24,671,417	24,512,133	293,003	253,754
<b>Highways and Streets</b>	1,934,454	1,840,460	363,049	349,237

\* The "totals" column represents the budget as adopted on a departmental basis. The additional detail presented here is for information purposes only.

**Other Supplemental Information**  
**Schedule of Expenditures - Budget and Actual**  
**General Fund**  
**June 30, 2004**

Services and Charges		Capital Outlay		Debt Service		Totals*	
Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
\$ 37,000	\$ 28,613	\$ -	\$ -	\$ -	\$ -	\$ 137,041	\$ 120,744
6,735	5,410	-	-	-	-	396,018	347,449
8,020	4,927	-	-	-	-	497,027	463,168
116,971	80,678	200	-	-	-	291,140	222,548
5,682	4,306	-	-	-	-	473,391	456,144
550,000	567,554	-	-	-	-	550,000	567,554
4,175	2,410	-	-	-	-	8,662	5,519
15,538	15,537	-	-	-	-	18,590	18,586
222,032	184,691	-	-	-	-	1,619,904	1,457,937
-	-	-	-	-	-	6,917	2,134
211,700	178,070	-	-	-	-	237,400	191,475
111,350	111,083	-	-	-	-	2,067,600	1,603,352
450,588	449,327	-	-	-	-	750,759	739,436
592,000	49,258	-	-	-	-	685,159	123,286
6,930	3,262	-	-	-	-	217,680	200,897
950	772	-	-	-	-	9,350	6,421
550	414	-	-	-	-	7,783	7,008
32,095	28,952	-	-	-	-	111,773	102,566
53,987	50,367	-	-	-	-	430,255	414,743
-	-	-	-	-	-	324,357	314,284
1,875,000	1,927,839	-	-	-	-	1,925,000	2,013,992
9,541	3,212	-	-	-	-	302,667	285,485
4,310,844	3,696,682	200	-	-	-	11,068,473	9,664,728
644,636	600,226	-	-	-	-	3,419,576	3,371,261
1,219,612	1,115,713	134,676	88,864	-	-	12,575,627	12,518,146
337,860	274,261	-	-	-	-	9,044,427	8,818,644
565,000	484,446	-	-	-	-	565,000	484,446
10,300	5,316	-	-	-	-	1,219,114	1,121,238
57,380	51,172	-	-	-	-	1,110,140	1,072,150
2,834,788	2,531,134	134,676	88,864	-	-	27,933,884	27,385,885
809,029	579,123	-	-	50,000	49,996	3,156,532	2,818,816

# City of Westland, Michigan

	Personnel Services		Supplies	
	Budget	Actual	Budget	Actual
<b>Building Authority Debt - Tower - Operating transfer</b>	\$ -	\$ -	\$ -	\$ -
<b>Sanitation</b>	68,604	64,182	22,500	11,869
<b>Cultural and Recreation</b>				
Youth Assistance	-	-	1,640	1,640
Senior Resource Department	318,336	304,958	13,250	10,148
Parks and recreation	1,171,625	1,141,524	97,590	96,550
Golf course	-	-	71,200	71,171
Parks and Recreation Advisory Council	5,040	3,630	-	-
Historical Committee	4,830	2,520	750	227
Ice arena	-	-	51,583	57,646
Commission on Aging	7,920	4,860	-	-
Total cultural and recreation	1,507,751	1,457,492	236,013	237,382
<b>Debt Service</b>	-	-	-	-
<b>Sundry - Motorpool contribution</b>	911,117	834,689	-	-
Total expenditures and other operating transfers	<u>\$ 35,630,280</u>	<u>\$ 34,511,958</u>	<u>\$ 1,135,057</u>	<u>\$ 1,017,286</u>

\* The "totals" column represents the budget as adopted on a departmental basis. The additional detail presented here is for information purposes only.



**Other Supplemental Information**  
**Schedule of Expenditures - Budget and Actual (Continued)**  
**General Fund**  
**June 30, 2004**

Services and Charges		Capital Outlay		Debt Service		Totals*	
Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
\$ -	\$ -	\$ -	\$ -	\$ 120,000	\$ 29,536	\$ 120,000	\$ 29,536
4,825,010	4,768,676	-	-	-	-	4,916,114	4,844,727
205,300	226,556	-	-	-	-	206,940	228,196
147,433	141,041	-	-	-	-	479,019	456,147
202,456	198,720	17,695	17,664	-	-	1,489,366	1,454,458
383,164	383,034	-	-	-	-	454,364	454,205
-	-	-	-	-	-	5,040	3,630
12,110	9,822	85,000	55,194	-	-	102,690	67,763
411,269	488,296	15,000	-	-	-	477,852	545,942
-	-	-	-	-	-	7,920	4,860
1,361,732	1,447,469	117,695	72,858	-	-	3,223,191	3,215,201
-	-	-	-	17,147	17,133	17,147	17,133
-	-	-	-	-	-	911,117	834,689
<b>\$ 14,141,403</b>	<b>\$ 13,023,084</b>	<b>\$ 252,571</b>	<b>\$ 161,722</b>	<b>\$ 187,147</b>	<b>\$ 96,665</b>	<b>\$ 51,346,458</b>	<b>\$ 48,810,715</b>

# City of Westland, Michigan

## Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds June 30, 2004

	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 3,602,072	\$ 66,965	\$ 138,570	\$ 3,807,607
Investments	408,328	-	-	408,328
Receivables - Net	500,857	55,751	-	556,608
Due from other funds	16,104	436,249	147,291	599,644
Due from other governmental units	455,973	-	-	455,973
Total assets	<u>\$ 4,983,334</u>	<u>\$ 558,965</u>	<u>\$ 285,861</u>	<u>\$ 5,828,160</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 246,706	\$ -	\$ -	\$ 246,706
Due to other funds	765,063	83,465	-	848,528
Escrow deposits	100,000	-	-	100,000
Deferred revenue	189,864	-	-	189,864
Total liabilities	1,301,633	83,465	-	1,385,098
<b>Fund Balances</b>				
Reserved	109,336	-	-	109,336
Unreserved:				
Designated	-	-	285,861	285,861
Undesignated	3,572,365	475,500	-	4,047,865
Total fund balances	<u>3,681,701</u>	<u>475,500</u>	<u>285,861</u>	<u>4,443,062</u>
Total liabilities and fund balances	<u>\$ 4,983,334</u>	<u>\$ 558,965</u>	<u>\$ 285,861</u>	<u>\$ 5,828,160</u>

# City of Westland, Michigan

## Other Supplemental Information

### Combining Statement of Revenue, Expenditures, and Changes in Fund Balances

### Nonmajor Governmental Funds

### Year Ended June 30, 2004

	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
<b>Revenues</b>				
Property taxes	\$ 1,635,908	\$ 515,645	\$ -	\$ 2,151,553
Federal sources	2,318,970	-	-	2,318,970
State sources	75,443	-	-	75,443
Local sources	1,070,226	-	-	1,070,226
Charges for services	935,360	204,900	-	1,140,260
Special assessments	872,562	-	-	872,562
Refund of captured property taxes	154,394	48,252	-	202,646
Interest and other	83,058	1,238	359	84,655
Total revenues	7,145,921	770,035	359	7,916,315
<b>Expenditures</b>				
Public safety	26,405	-	2,400	28,805
Highways, streets, and drains	-	-	8,699	8,699
Street lighting	1,002,644	-	-	1,002,644
Cultural and recreation	5,350,975	-	-	5,350,975
Contracted services	276,837	-	-	276,837
Debt service	134,519	1,804,109	-	1,938,628
Sundry	7,700	-	-	7,700
Total expenditures	6,799,080	1,804,109	11,099	8,614,288
<b>Excess of Revenues Over (Under) Expenditures</b>	346,841	(1,034,074)	(10,740)	(697,973)
<b>Other Financing Sources (Uses)</b>				
Operating transfers in	71,135	527,324	63,000	661,459
Operating transfers out	(350,464)	-	-	(350,464)
Total other financing sources (uses)	(279,329)	527,324	63,000	310,995
<b>Net Change in Fund Balances</b>	67,512	(506,750)	52,260	(386,978)
<b>Fund Balances - July 1, 2003</b>	3,614,189	982,250	233,601	4,830,040
<b>Fund Balances - June 30, 2004</b>	<u>\$ 3,681,701</u>	<u>\$ 475,500</u>	<u>\$ 285,861</u>	<u>\$ 4,443,062</u>

# City of Westland, Michigan

	Community Development Block Grant	Street Lighting	Cable T.V.	Public Improvement	Drug Forfeiture
<b>Assets</b>					
Cash and cash equivalents	\$ 130,907	\$ 104,069	\$ 1,284,125	\$ 65,130	\$ 159,914
Investments	-	308,328	100,000	-	-
Receivables - Net	-	59,684	219,780	-	-
Due from other funds	-	-	-	-	-
Due from other governmental units	341,721	-	-	-	-
Total assets	<u>\$ 472,628</u>	<u>\$ 472,081</u>	<u>\$ 1,603,905</u>	<u>\$ 65,130</u>	<u>\$ 159,914</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 93,879	\$ -	\$ 58,983	\$ -	\$ 1,112
Due to other funds	222,884	221,689	5,301	-	-
Escrow deposits	-	-	100,000	-	-
Deferred revenue	155,865	-	-	-	-
Total liabilities	472,628	221,689	164,284	-	1,112
<b>Fund Balances</b>					
Reserved	-	-	109,336	-	-
Unreserved - Undesignated	-	250,392	1,330,285	65,130	158,802
Total fund balances	-	250,392	1,439,621	65,130	158,802
Total liabilities and fund balances	<u>\$ 472,628</u>	<u>\$ 472,081</u>	<u>\$ 1,603,905</u>	<u>\$ 65,130</u>	<u>\$ 159,914</u>

**Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Special Revenue Funds  
June 30, 2004**

Library	Task Force	E-911	800 MHZ	Task Force Airport	Metroact- Broadband	Total Nonmajor Special Revenue Funds
\$ 1,247,504	\$ 55,500	\$ 256,129	\$ 22,659	\$ 16,692	\$ 259,443	\$ 3,602,072
-	-	-	-	-	-	408,328
107,834	-	113,559	-	-	-	500,857
-	-	8,104	8,000	-	-	16,104
114,252	-	-	-	-	-	455,973
<b><u>\$ 1,469,590</u></b>	<b><u>\$ 55,500</u></b>	<b><u>\$ 377,792</u></b>	<b><u>\$ 30,659</u></b>	<b><u>\$ 16,692</u></b>	<b><u>\$ 259,443</u></b>	<b><u>\$ 4,983,334</u></b>
\$ 91,902	\$ 82	\$ -	\$ 748	\$ -	\$ -	\$ 246,706
14,711	-	275,774	8,104	16,600	-	765,063
-	-	-	-	-	-	100,000
-	-	33,999	-	-	-	189,864
106,613	82	309,773	8,852	16,600	-	1,301,633
-	-	-	-	-	-	109,336
1,362,977	55,418	68,019	21,807	92	259,443	3,572,365
1,362,977	55,418	68,019	21,807	92	259,443	3,681,701
<b><u>\$ 1,469,590</u></b>	<b><u>\$ 55,500</u></b>	<b><u>\$ 377,792</u></b>	<b><u>\$ 30,659</u></b>	<b><u>\$ 16,692</u></b>	<b><u>\$ 259,443</u></b>	<b><u>\$ 4,983,334</u></b>

# City of Westland, Michigan

	Community Development Block Grant	Street Lighting	Cable T.V.	Public Improvement	Drug Forfeiture
<b>Revenues</b>					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Federal sources	2,318,970	-	-	-	-
State sources	-	-	-	-	-
Local sources	-	-	-	-	96,779
Charges for services	-	-	935,360	-	-
Special assessments	-	872,562	-	-	-
Refund of captured property taxes	-	-	-	-	-
Interest and other	(207)	25,346	29,345	337	150
Total revenues	2,318,763	897,908	964,705	337	96,929
<b>Expenditures</b>					
Public safety	-	-	-	-	24,005
Street lighting	-	1,002,644	-	-	-
Cultural and recreation	2,318,763	-	728,099	-	-
Contracted services	-	-	-	-	-
Debt service	-	-	-	-	-
Sundry	-	-	-	7,700	-
Total expenditures	2,318,763	1,002,644	728,099	7,700	24,005
<b>Excess of Revenues Over (Under) Expenditures</b>	-	(104,736)	236,606	(7,363)	72,924
<b>Other Financing Sources (Uses)</b>					
Operating transfers in	-	-	-	-	-
Operating transfers out	-	-	(127,729)	-	(60,000)
Total other financing sources (uses)	-	-	(127,729)	-	(60,000)
<b>Net Change in Fund Balances</b>	-	(104,736)	108,877	(7,363)	12,924
<b>Fund Balances - July 1, 2003</b>	-	355,128	1,330,744	72,493	145,878
<b>Fund Balances - June 30, 2004</b>	<u>\$ -</u>	<u>\$ 250,392</u>	<u>\$ 1,439,621</u>	<u>\$ 65,130</u>	<u>\$ 158,802</u>

**Other Supplemental Information**  
**Combining Statement of Revenue, Expenditures,**  
**and Changes in Fund Balances**  
**Nonmajor Special Revenue Funds**  
**Year Ended June 30, 2004**

Library	Task Force	E-911	800 MHZ	Task Force Airport	Metroact - Broadband	Total Nonmajor Special Revenue Funds
\$ 1,635,908	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,635,908
-	-	-	-	-	-	2,318,970
75,443	-	-	-	-	-	75,443
207,605	20,187	330,050	204,666	-	210,939	1,070,226
-	-	-	-	-	-	935,360
-	-	-	-	-	-	872,562
154,394	-	-	-	-	-	154,394
9,065	71	851	1,408	16,692	-	83,058
2,082,415	20,258	330,901	206,074	16,692	210,939	7,145,921
-	-	2,400	-	-	-	26,405
-	-	-	-	-	-	1,002,644
2,304,113	-	-	-	-	-	5,350,975
-	12,883	-	263,954	-	-	276,837
-	-	134,519	-	-	-	134,519
-	-	-	-	-	-	7,700
2,304,113	12,883	136,919	263,954	-	-	6,799,080
(221,698)	7,375	193,982	(57,880)	16,692	210,939	346,841
-	-	-	71,135	-	-	71,135
-	-	(146,135)	-	(16,600)	-	(350,464)
-	-	(146,135)	71,135	(16,600)	-	(279,329)
(221,698)	7,375	47,847	13,255	92	210,939	67,512
1,584,675	48,043	20,172	8,552	-	48,504	3,614,189
<b>\$ 1,362,977</b>	<b>\$ 55,418</b>	<b>\$ 68,019</b>	<b>\$ 21,807</b>	<b>\$ 92</b>	<b>\$ 259,443</b>	<b>\$ 3,681,701</b>

# City of Westland, Michigan

## Other Supplemental Information Combining Balance Sheet Nonmajor Debt Service Funds June 30, 2004

	Motor Vehicle Highway Debt - Newburgh	Building Authority Debt - Tower	County Drain Debt	Building Authority - Court Expansion	Total Nonmajor Debt Service Funds
<b>Assets</b>					
Cash and cash equivalents	\$ -	\$ -	\$ 66,965	\$ -	\$ 66,965
Receivables - Net	-	-	55,751	-	55,751
Due from other funds	-	387,971	48,278	-	436,249
Total assets	<u>\$ -</u>	<u>\$ 387,971</u>	<u>\$ 170,994</u>	<u>\$ -</u>	<u>\$ 558,965</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b> - Due to other funds	\$ -	\$ 83,465	\$ -	\$ -	\$ 83,465
<b>Fund Balances</b> - Unreserved - Undesignated	-	304,506	170,994	-	475,500
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 387,971</u>	<u>\$ 170,994</u>	<u>\$ -</u>	<u>\$ 558,965</u>



# City of Westland, Michigan

## Other Supplemental Information

### Combining Statement of Revenue, Expenditures, and Changes in Fund Balances

### Nonmajor Debt Service Funds

### Year Ended June 30, 2004

	Motor Vehicle Highway Debt - Newburgh	Building Authority Debt - Tower	County Drain Debt	Building Authority Debt - Court Expansion	Total Nonmajor Debt Service Funds
<b>Revenues</b>					
Property taxes	\$ -	\$ -	\$ 515,645	\$ -	\$ 515,645
Charges for services	-	-	-	204,900	204,900
Refund of captured property taxes	-	-	48,252	-	48,252
Interest and other	-	-	1,238	-	1,238
Total revenues	-	-	565,135	204,900	770,035
<b>Expenditures - Debt service</b>	<u>497,788</u>	<u>184,600</u>	<u>916,821</u>	<u>204,900</u>	<u>1,804,109</u>
<b>Excess of Expenditures Over Revenues</b>	(497,788)	(184,600)	(351,686)	-	(1,034,074)
<b>Other Financing Sources - Operating transfers in</b>	<u>497,788</u>	<u>29,536</u>	<u>-</u>	<u>-</u>	<u>527,324</u>
<b>Net Change in Fund Balances</b>	-	(155,064)	(351,686)	-	(506,750)
<b>Fund Balances - July 1, 2003</b>	<u>-</u>	<u>459,570</u>	<u>522,680</u>	<u>-</u>	<u>982,250</u>
<b>Fund Balances - June 30, 2004</b>	<u>\$ -</u>	<u>\$ 304,506</u>	<u>\$ 170,994</u>	<u>\$ -</u>	<u>\$ 475,500</u>

# City of Westland, Michigan

## Other Supplemental Information Combining Balance Sheet Nonmajor Capital Projects Funds June 30, 2004

	Tower	Drain Problem	Total Nonmajor Capital Projects Funds
<b>Assets</b>			
Cash and cash equivalents	\$ -	\$ 138,570	\$ 138,570
Due from other funds	<u>84,291</u>	<u>63,000</u>	<u>147,291</u>
Total assets	<u><b>\$ 84,291</b></u>	<u><b>\$ 201,570</b></u>	<u><b>\$ 285,861</b></u>
<b>Fund Balances - Unreserved - Designated</b>	<u><b>\$ 84,291</b></u>	<u><b>\$ 201,570</b></u>	<u><b>\$ 285,861</b></u>

# City of Westland, Michigan

## Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Capital Projects Funds Year Ended June 30, 2004

	Tower	Drain Problem	Total Nonmajor Capital Projects Funds
<b>Revenues</b> - Interest and other	\$ -	\$ 359	\$ 359
<b>Expenditures</b>			
Public safety	2,400	-	2,400
Highways, steets, and drains	-	8,699	8,699
Total expenditures	2,400	8,699	11,099
<b>Excess of Expenditures Over Revenues</b>	(2,400)	(8,340)	(10,740)
<b>Other Financing Sources</b> - Operating transfers in	-	63,000	63,000
<b>Net Change in Fund Balances</b>	(2,400)	54,660	52,260
<b>Fund Balances</b> - July 1, 2003	86,691	146,910	233,601
<b>Fund Balances</b> - June 30, 2004	<u>\$ 84,291</u>	<u>\$ 201,570</u>	<u>\$ 285,861</u>

# City of Westland, Michigan

## Other Supplemental Information Combining Statement of Net Assets Internal Service Funds June 30, 2004

		Self-insurance		
		Workers'		
	Motorpool	Compensation	General Liability	Total
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 360,567	\$ -	\$ -	\$ 360,567
Due from other funds	-	311,933	497,619	809,552
Inventory	10,366	-	-	10,366
Prepaid costs and other assets	3,295	-	-	3,295
Total current assets	374,228	311,933	497,619	1,183,780
Equipment	2,766,324	-	-	2,766,324
Total assets	3,140,552	311,933	497,619	3,950,104
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	31,945	-	79,827	111,772
Accrued liabilities	38,323	311,933	401,519	751,775
Due to other funds	248,533	-	-	248,533
Current portion of long-term debt	141,535	-	-	141,535
Total current liabilities	460,336	311,933	481,346	1,253,615
Long-term debt	535,765	-	-	535,765
Total liabilities	996,101	311,933	481,346	1,789,380
<b>Net Assets</b>				
Invested in capital assets - Net of related debt	2,089,024	-	-	2,089,024
Unrestricted	55,427	-	16,273	71,700
Total net assets	\$ 2,144,451	\$ -	\$ 16,273	\$ 2,160,724

# City of Westland, Michigan

## Other Supplemental Information Combining Statement of Revenues, Expenses, and Changes in Net Assets Internal Service Funds Year Ended June 30, 2004

		Self-insurance		
		Workers'		
	Motorpool	Compensation	General Liability	Total
<b>Operating Revenues - Charges to other funds</b>	\$ 1,415,210	\$ 636,695	\$ 1,256,189	\$ 3,308,094
<b>Operating Expenses</b>				
Wages and fringe benefits	514,229	-	-	514,229
Contracted services	136,000	-	-	136,000
Operating supplies	262,918	-	-	262,918
Repairs and maintenance	354,292	-	-	354,292
Insurance, claims, and other	-	636,695	1,432,319	2,069,014
Depreciation	871,132	-	-	871,132
Rent	26,157	-	-	26,157
<b>Total operating expenses</b>	<u>2,164,728</u>	<u>636,695</u>	<u>1,432,319</u>	<u>4,233,742</u>
<b>Operating Loss</b>	(749,518)	-	(176,130)	(925,648)
<b>Nonoperating Revenue (Expenses)</b>				
Investment income	588	-	4,361	4,949
Interest expense	(12,472)	-	-	(12,472)
Gain on disposal of assets	7,280	-	-	7,280
<b>Total nonoperating revenue (expenses)</b>	<u>(4,604)</u>	<u>-</u>	<u>4,361</u>	<u>(243)</u>
<b>Change in Net Assets</b>	(754,122)	-	(171,769)	(925,891)
<b>Net Assets - July 1, 2003</b>	<u>2,898,573</u>	<u>-</u>	<u>188,042</u>	<u>3,086,615</u>
<b>Net Assets - June 30, 2004</b>	<u><u>\$ 2,144,451</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 16,273</u></u>	<u><u>\$ 2,160,724</u></u>

# City of Westland, Michigan

## Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2004

		Self-insurance		
	Motorpool	Workers' Compensation	General Liability	Total
<b>Cash Flows from Operating Activities</b>				
Internal activity - Payments from other funds	\$ 1,696,010	\$ 578,874	\$ 1,256,189	\$ 3,531,073
Payments to suppliers	(775,737)	-	-	(775,737)
Payments to employees	(510,111)	-	-	(510,111)
Claims paid	-	(578,874)	(1,260,550)	(1,839,424)
Net cash provided by (used in) operating activities	410,162	-	(4,361)	405,801
<b>Cash Flows from Capital and Related Financing Activities</b>				
Principal and interest paid on long-term debt	(85,989)	-	-	(85,989)
Purchase of capital assets	(409,796)	-	-	(409,796)
Proceeds from sale of assets	7,280	-	-	7,280
Proceeds from long-term debt	402,194	-	-	402,194
Net cash used in capital and related financing activities	(86,311)	-	-	(86,311)
<b>Cash Flows from Investing Activities</b> - Interest received on investments and other assets	588	-	4,361	4,949
<b>Net Increase in Cash and Cash Equivalents</b>	324,439	-	-	324,439
<b>Cash and Cash Equivalents</b> - July 1, 2003	36,128	-	-	36,128
<b>Cash and Cash Equivalents</b> - June 30, 2004	<u>\$ 360,567</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 360,567</u>
<b>Reconciliation of Operating Loss to Net Cash from Operating Activities</b>				
Operating loss	\$ (749,518)	\$ -	\$ (176,130)	\$ (925,648)
Adjustments to reconcile operating loss to net cash from operating activities:				
Depreciation	871,132	-	-	871,132
Changes in assets and liabilities:				
Due from other funds	32,267	(57,821)	-	(25,554)
Inventories	15,600	-	-	15,600
Other assets	(1,211)	-	91,942	90,731
Accounts payable	(10,759)	-	-	(10,759)
Accrued liabilities	4,118	57,821	79,827	141,766
Due to other funds	248,533	-	-	248,533
Net cash provided by (used in) operating activities	<u>\$ 410,162</u>	<u>\$ -</u>	<u>\$ (4,361)</u>	<u>\$ 405,801</u>

# City of Westland, Michigan

## Other Supplemental Information Combining Balance Sheet Fiduciary Funds - Agency Funds June 30, 2004

	Trust and Agency	Undistributed Tax Collection	District Court	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 2,973,361	\$ 879,363	\$ 436,428	\$ 4,289,152
Accrued interest and other assets	-	100	-	100
Total assets	<u><b>\$ 2,973,361</b></u>	<u><b>\$ 879,463</b></u>	<u><b>\$ 436,428</b></u>	<u><b>\$ 4,289,252</b></u>
<b>Liabilities</b>				
Accounts payable	\$ -	\$ 35,473	\$ -	\$ 35,473
Accrued and other liabilities	2,973,361	-	347,816	3,321,177
Due to component units	-	3,248	-	3,248
Due to other governmental units	-	840,742	88,612	929,354
Total liabilities	<u><b>\$ 2,973,361</b></u>	<u><b>\$ 879,463</b></u>	<u><b>\$ 436,428</b></u>	<u><b>\$ 4,289,252</b></u>

# **City of Westland, Michigan**

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## **Federal Awards Supplemental Information June 30, 2004**



# City of Westland, Michigan

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## Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council  
City of Westland, Michigan

We have audited the basic financial statements of the City of Westland, Michigan for the year ended June 30, 2004 and have issued our report thereon dated October 14, 2004. Those basic financial statements are the responsibility of the management of the City of Westland, Michigan. Our responsibility was to express an opinion on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the basic financial statements of the City of Westland, Michigan taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

October 14, 2004

A member of



A worldwide association of independent accounting firms

## Report Letter on Compliance with Laws and Regulations and Internal Control - Basic Financial Statements

To the Honorable Mayor and  
Members of the City Council  
City of Westland, Michigan

We have audited the financial statements of the City of Westland, Michigan as of and for the year ended June 30, 2004 and have issued our report thereon dated October 14, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the City of Westland, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Westland, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

To the Honorable Mayor and  
Members of the City Council  
City of Westland, Michigan

This report is intended solely for the information and use of the City Council, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moran, PLLC*

October 14, 2004

Report Letter on Compliance with Laws and Regulations and  
Internal Control - Major Federal Awards

To the Honorable Mayor and  
Members of the City Council  
City of Westland, Michigan

**Compliance**

We have audited the compliance of the City of Westland, Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. The major federal programs of the City of Westland, Michigan are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Westland, Michigan's management. Our responsibility is to express an opinion on the City of Westland, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Westland, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Westland, Michigan's compliance with those requirements.

In our opinion, the City of Westland, Michigan complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

To the Honorable Mayor and  
Members of the City Council  
City of Westland, Michigan

## **Internal Control Over Compliance**

The management of the City of Westland, Michigan is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Westland, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the City Council, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moran, PLLC*

November 5, 2004

# City of Westland, Michigan

## Schedule of Expenditures of Federal Awards Year Ended June 30, 2004

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Project/Grant Number	Federal Expenditures
U.S. Department of Housing and Urban Development:			
Community Development Block Grant:	14.218	N/A	
Program year 1994 - B-94-MC-260017			\$ 46
Program year 1999 - B-99-MC-260017			25,825
Program year 2000 - B-00-MC-260017			3,591
Program year 2001 - B-01-MC-260017			2,325
Program year 2002 - B-02-MC-260017			119,850
Program year 2003 - B-03-MC-260017			<u>1,473,415</u>
Total Community Development Block Grant			1,625,052
Section 108 loan	14.248	N/A	32,139
Section 108 loan balance outstanding as of June 30, 2004:			
Program year 1998 - B-98-MC-26-0017	14.248	N/A	150,000
Program year 1999 - B-99-MC-26-0017	14.248	N/A	<u>420,000</u>
Total Section 108 Loan			602,139
Home Investment Partnership Program	14.239	N/A	<u>661,572</u>
Total U.S. Department of Housing and Urban Development			2,888,763
Federal Emergency Management Agency - Emergency Public Assistance Project - 3189-EM-163-86000	10.664	N/A	28,653
U.S. Environmental Protection Agency - River Rouge Wet Weather Demonstration Project:			
Round II-B Grant Program - Passed through Wayne County	66.606	X-995743-04-0	51,161
Round II-A Grant Program - Passed through Wayne County	66.606	X-995743-06-0	<u>59,658</u>
Total U.S. Environmental Protection Agency			110,819

# City of Westland, Michigan

## Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2004

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Project/Grant Number	Federal Expenditures
U.S. Department of Transportation - Newburgh Road Reconstruction - Passed through the Michigan Department of Transportation	20.205	STP0482020	\$ 211,635
U.S. Department of Justice:			
Office of Justice Programs:			
Local Law Enforcement Block Grants - 2002-LB-BX-0465	16.592	N/A	55,722
Bulletproof Vest Grant Program	16.607	N/A	<u>17,472</u>
Total Office of Justice Programs			73,194
Juvenile Justice - Passed through the Michigan Family Independence Agency:			
JAIBG-03	16.540	82025 I	5,587
Title V	16.540	431N4001876	<u>19,399</u>
Total Juvenile Justice			<u>24,986</u>
Total U.S. Department of Justice			98,180
U.S. Department of Agriculture - Food Distribution	10.550	EPP-337.20	<u>28,393</u>
Total federal awards			<u><u>\$ 3,366,443</u></u>



# City of Westland, Michigan

## Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2004

### Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Westland, Michigan and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

### Note 2 - Subrecipient Awards

Of the federal expenditures presented in the schedule, federal awards were provided to subrecipients as follows:

Federal Program Title	CFDA Number	Amount Provided to Subrecipients
Community Development Block Grant	14.218	\$ 191,674
Home Investment Partnership Program	14.239	370,308

### Note 3 - Reconciliation of Revenue

Revenue per schedule of expenditures of federal awards (includes all funds)	<u>\$ 3,366,443</u>
Revenue per the basic financial statements:	
General Fund	\$ 68,254
Special Revenue Funds	2,318,970
Water and Sewer Funds	<u>110,819</u>
Revenue per the basic financial statements	2,498,043
Noncash assistance not recorded in the basic financial statements	28,393
Section 108 loans not recorded as revenue in the basic financial statements	570,000
Federal revenue not reported as such in the financial statements	<u>270,007</u>
Federal expenditures per the schedule of expenditures of federal awards	<u>\$ 3,366,443</u>

# City of Westland, Michigan

## Schedule of Findings and Questioned Costs Year Ended June 30, 2004

### Section I - Summary of Auditor's Results

#### Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Reportable condition(s) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes   X   None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   X   No

#### Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Reportable condition(s) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes   X   None reported

Type of auditor's report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? \_\_\_\_\_ Yes   X   No

Identification of major program(s):

CFDA Numbers	Name of Federal Program or Cluster
14.218	Community Development Block Grant
14.239	Home Investment Partnership Program

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes   X   No

# **City of Westland, Michigan**

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## **Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2004**

### **Section II - Financial Statement Audit Findings**

None

### **Section III - Federal Program Audit Findings**

None

# City of Westland, Michigan

## Summary Schedule of Prior Audit Findings Year Ended June 30, 2004

Prior Reference Number	Prior Audit Findings - Fiscal Year Ended June 30, 2003
03-02	<p><b>Program Name</b> - Home Investment Partnership Program</p> <p><b>CFDA Number</b> - 14.239</p> <p><b>Pass-through Entity</b> - U.S. Department of Housing and Urban Development</p> <p><b>Finding Type</b> - Reportable condition and material weakness</p> <p><b>Criteria</b> - In order to ensure compliance with reporting requirements that the reports of federal awards submitted to the federal awarding agency include all activity of the reporting period, are supported by underlying accounting records, and are fairly presented in accordance with program requirements, the financial information included in the reports to federal awarding agencies should be reconciled to the general ledger balances on a timely basis.</p> <p><b>Condition</b> - The City does not have adequate oversight controls in place to ensure that the drawdown requests are reconciled to the general ledger.</p> <p><b>Corrective Action Plan</b> - The City issued a Corrective Action Plan in December 2002, which stated the City of Westland's controller has responsibility for reconciling the drawdown requests to the general ledger on a quarterly basis. The Corrective Action Plan was signed by the City's former finance director.</p> <p><b>Finding Resolution</b> - It was noted that reconciliation between the drawdown requests and the general ledger was performed during the current year.</p>

October 14, 2004

City Council Members  
City of Westland  
36601 Ford Road  
Westland, MI 48185

Dear Council Members:

We recently completed our audit of the financial statements of the City of Westland for the year ended June 30, 2004. In addition to the audit report, we offer the following comments for your consideration.

### **FUND EQUITY – GENERAL FUND AND WATER & SEWER FUND**

Due to the troubled national and state economy, the fund equity of some of the main operating funds of the City continues to be an area of focus. The following comments are made to help keep you abreast of developments affecting fund equity:

- The City was successful in increasing total General Fund balance by approximately \$50,000 as of June 30, 2004. This was accomplished primarily by spending less than what was approved in the amended budget. In addition, approximately \$840,000 of reserved fund balance was utilized for Police and Fire Retirement and Sanitation issues. As a result, unreserved fund balance at June 30, 2004 for the General Fund approximates \$1,200,000. As noted in other areas of this letter, reductions of state shared revenues will continue to impact the City's ability to maintain adequate fund balance. The City has worked hard to reduce costs by not filling vacant personnel positions, monitoring some costs and delaying other costs. It will be difficult to continue to preserve the level of fund balance necessary for operations without continued departmental reductions. We continue to encourage the updating and review of the City's 5 year plan to assist with this process.
- At June 30, 2004, approximately \$777,000 of General Fund equity was reserved for the Police & Fire Retirement System. As this reserved fund balance is used, future periods may see the need for a millage increase to offset these costs.
- At June 30, 2004, approximately \$755,000 of General Fund equity was reserved for sanitation costs. Of this amount, approximately \$157,000 is budgeted to be used in the current fiscal year.
- Similarly to the prior year, the Water and Sewer Fund generated cash from operations and used it to retire debt and invest in capital assets. We noted that the billed accounts receivable balance in the Water and Sewer Fund at June 30, 2004 is currently at approximately 18 percent of sales for the year. This percentage is fairly consistent with prior years. It should be noted that delinquent receivables do get collected through the tax roll.

### **Water and Sewer Bonds – Rate Covenant**

The City's new water and sewer bonds contain a rate covenant. That covenant states that the City's water and sewer rates must be set at such a level as to cover the anticipated operations, maintenance, and debt service costs. We recommend that the City take this additional covenant into consideration when setting the budget for the 2005-2006 fiscal year. Reviewing and updating the City's 5 year plan would assist with this review.

### **INTERNAL CONTROL CONSIDERATIONS**

During our audit, we also noted the following regarding the internal control structure:

- As we noted previously, the Police Department keeps track of their own compensated absence time and reports it to the Finance Department, instead of allowing the Finance Department to track the information through the Finance Department's computerized payroll system. We recommend that all compensated absence time accumulated in the City should be tracked through a computerized payroll system and integrated with the general ledger on a consistent basis throughout the City.
- As a result of SAS 99, we are required to perform more journal entry testing than in previous years. During that additional testing, we noted that the Finance Director, Budget Director, and Controller all have the ability to create and post journal entries. A formal review of each journal entry is not documented. We recommend that each Director's adjusting journal entries be periodically reviewed by one of the other Director's and signed off or initialed accordingly.
- The detailed listing of contractor deposits does not agree to the general ledger balance. We recommend reconciling the listing to the general ledger on a periodic basis and following up on differences between the listing and general ledger.
- The Tax Incremental Finance Authority and the Downtown Development Authority do not have a written contract with their landscape contractor. The existing arrangement resulted from a verbal agreement initiated by the former Economic Development Director. We recommend establishing a written contract with the contractor and have the contract reviewed by the City's attorney.
- The Police and Fire Pension Board does not have a formal credit card usage policy despite having and using a credit card. Although usage is minimal, we recommend the Board adopts an official policy.

### **STATE SHARED REVENUE**

State shared revenue accounts for approximately 19.5% of the City's total General Fund revenue. Because of slower than anticipated growth in the State's sales tax collections (the sole source of revenue sharing payments to local units of government) and the State's budget problems which have resulted in additional appropriation reductions to the revenue sharing line item in the State's budget, revenue sharing payments for the last several years have been lower than anticipated.

Although sales tax revenue would support an increase to total state shared revenue payments, the State's budget situation remains troublesome at best. As you are probably aware, the Governor's budget for the State's 2004/2005 fiscal year contains a provision to not pay counties statutory revenue sharing (the counties' only source of revenue sharing). Instead, the counties will change their property tax levy date for their operating millage from December to July (beginning in 2005). A portion of the additional funds generated from the early property tax levy will be used by the counties over a multiple year period to replace statutory revenue sharing that will not be paid by the State. The plan calls for the return of statutory revenue sharing for the counties when their restricted monies from the early levy run out. A key part to this plan allows the State to hold revenue sharing payments to cities, villages and townships for the State's 2004/2005 fiscal year at the prior year levels. This plan was recently approved by the Michigan legislature and signed by the Governor.

It is generally acknowledged that the State's budget woes will continue for several more years. The Governor recently announced that another \$500 million shortfall exists for the State's 2005/2006 fiscal year budget (the State's 2005/2006 fiscal year budget will be introduced by the Governor in early 2005). Also, during October 2004, the Governor announced that her administration may introduce a significant tax restructuring proposal shortly. Specific details of the proposal have not been formally announced and the impact on significant revenue sources to local governments, such as personal property taxes and revenue sharing, is not known. As a result of the continuing uncertainty with the State's budget situation and other potential developments with changes to State's tax structure, we continue to urge the City to be very conservative in its estimation of state shared revenue as this line item in the State's budget remains vulnerable.

The table below details state shared revenue actually received by the City over the past five years broken out by statutory and constitutional portions. In many cases, these actual receipts were less than initial projections received from the State. In addition, it details the total decrease in state shared revenue experienced by the City compared to the State's fiscal year 2001.

State Fiscal Year	Statutory	Constitutional	Total	Change from 2001	Cumulative Reduction from 2001
2001	\$4,783,419	\$5,782,983	\$10,566,402	N/A	N/A
2002	\$4,707,508	\$5,669,237	\$10,376,745	(\$ 189,657)	\$ 189,657
2003	\$4,148,600	\$5,765,216	\$ 9,913,816	(\$ 652,586)	\$ 842,243
2004	\$3,207,477	\$5,702,593	\$ 8,910,070	(\$1,656,332)	\$2,498,575

We will continue to update the City as developments occur.

## TRANSPORTATION MATTERS

The Legislature recently approved HB 5319 which would earmark one-half of one cent of the state gasoline tax for the preservation, improvement or reconstruction of existing bridges. It is estimated that over the next 10 years that approximately a half billion dollars will be available to local governments for bridge needs. Presently, these monies are used primarily by the

Michigan Department of Transportation for State bridges. The legislation creates a Local Bridge Authority to manage the monies as well seven, five member, regional bridge councils. The new Authority would consist of six voting members appointed by the State Transportation Commission (three nominations by the County Road Association of Michigan and three by the Michigan Municipal League) and two non-voting members nominated by the Department of Transportation.

Also, HB 4358 has been introduced which changes vehicle weight restrictions on Michigan roads for certain trucks (without regard to existing limitations imposed by local governments) and could reduce overweight truck fines.

## **PROPERTY TAX MATTERS**

During the current legislative session, there have been a number of bills involving property taxes that impact local governments. The following is a highlight of several of the bills:

- HB 4880, as passed by the House in August 2004, proposes to increase property taxes for mobile home owners with additional monies earmarked for local governments.
- HB 6017 was introduced to address the inconsistent treatment of assessing commercial property using the occupancy method. The inconsistent treatment occurs when the taxable value of a commercial property is reduced based on a loss in occupancy and a corresponding increase will not occur when occupancy increases resulting in a permanent taxable cap on property (subject to annual inflationary increases). This treatment is a result of what is commonly referred to as the "WPW Case" involving the City of Troy.
- HB 4649 was passed by the House and would allow for local governments to pass a resolution exempting new construction on homestead property used as a living area from property taxes (subject to certain limitations) in all or just certain areas of the local jurisdiction.
- HB 5358 was introduced and would change the requirements for personal property tax examiners including: requiring the State Tax Commission to qualify examiners based on experience and examination; require examiners to be employees of a local government; and make payments to examiners on a per parcel basis.
- HB 5538, as passed by the House, exempts property under development from school operating taxes (18 mills) by classifying the property as "homestead" property. The bill also proposes to not allow the taxable value of property to "uncap" when the property is sold to a new owner.
- HB 4234, as passed by the House, would provide a personal property tax exemption to businesses with taxable value of personal property of \$7,500 or less (these businesses would be exempt from paying any personal property taxes). Language was included in the House that any revenue loss to local governments would be reimbursed by the State. However, these monies would require an appropriation by the Legislature.



## **REFUSE DISPOSAL**

SB 721 was introduced which would assess a \$3 per ton tipping fee at landfills which could increase the cost of refuse disposal for local governments. The monies generated from this legislation are intended to be used by the State for recycling.

## **PERSONAL PROPERTY TAX**

With the adoption several years ago by the State Tax Commission of new personal property tax tables for utilities (which made drastic changes to the transmission and distribution property of utilities and resulted in a corresponding revenue loss to local governments), many communities elected to continue to assess the transmission and distribution property of utilities using the old personal property tax tables which generated a series of lawsuits on this subject. To date, the new utility personal property tax tables implemented by the State Tax Commission have been upheld. In certain jurisdictions, refunds have been made or are in process from local governments to the utilities. We encourage the City to continue to monitor these developments as the City could be negatively impacted by the outcome.

## **PROPERTY ASSESSMENT CAP**

As you recall, Proposal A limits the growth in taxable value to the lesser of inflation or 5 percent. The inflation factor for this calculation is published by the State Tax Commission and is:

2004	2.3%
2003	1.5%
2002	3.2%
2001	3.2%
2000	1.9%
1999	1.6%
1998	2.7%
1997	2.8%
1996	2.8%
1995	2.6%
1994	3.0%

The 2003 inflation factor was used for property taxes levied in the City's fiscal year ended June 30, 2004. Property taxes are the City's largest source of General Fund revenue. However, as indicated above, growth in existing property can be significantly limited due to Proposal A. This factor should be considered when the City is performing long-term financial planning.

Also, as you probably recall, the Headlee Amendment to the Michigan Constitution limits the amount of taxes that can be levied by the City. In general terms, if growth on the City's existing property tax base exceeds inflation for a particular year, the Headlee Amendment requires the City to "roll back" its property tax rate to inflation. Prior to the passage of Proposal A in 1994, during years when the growth on the City's existing property tax base was less than inflation, the Headlee Amendment allowed the City to "roll up" its property tax rate and recover from years when the property tax rate was "rolled back". However, subsequent to the passage of Proposal A and as a result of changes made to the State's General Property Tax Act, the City is

October 14, 2004

no longer allowed to "roll up" its property tax rate in years when growth on its existing tax base is less than inflation.

For the year ended June 30, 2004, the City's Headlee maximum property tax rate for its operating levy was 6.5670 mills even though City Charter would allow the City to levy 8 mills for operations. Because of changes made to the General Property Tax Act in 1994, this reduction in millage rate is permanent absent a Headlee override vote. Additionally, as demonstrated by a recent study published by the Michigan Municipal League (with the participation of the Michigan Townships Association and the Michigan Association of Counties), due to definitional changes made to the General Property Tax Act in 1994, the treatment of uncapped values or the "pop up" amount when a property is transferred or sold (as growth on existing property subject to the Headlee rollback calculation), the downward pressure on millage rates will continue particularly given the significant gap that now exists between taxable value and state equalized value.

### **HEALTH CARE COSTS**

It is our understanding that the State of Michigan may be offering local governments the opportunity to participate in the State's prescription drug program. A presentation was made in September 2004 to introduce this program to local governments. While we have not evaluated the program, the City may want to consider this option as it evaluates and continues to try to control its health care costs.

### **MUNICIPAL FINANCE ACT REVISIONS – REMINDER**

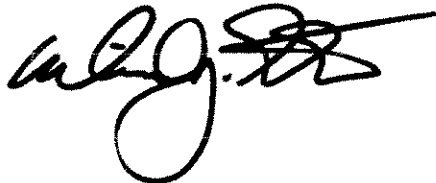
The Municipal Finance Act was amended several years ago. Communities are now required to submit a filing once a year with the Michigan Department of Treasury. The old ten day "exemption from prior approval" process has been eliminated and is replaced with this qualification process. This filing will serve as a pre-approval for future debt issues. The current filing is due within six months of the City's year end (December 31, 2004) and is good for one year thereafter. The City should consider the need to file a qualifying statement for each of its component units.

We would like to express our appreciation for the assistance and cooperation we have received from all of the City personnel, particularly Steve Smith and Deb Szajko, during the course of our examination. If any questions arise on reviewing the financial statements or the above comments, we would be happy to discuss them with you or assist in the implementation of any of the recommendations.

Thank you for the continued opportunity to be of service.

Very truly yours,

PLANTE & MORAN, PLLC



Michael J. Swartz

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